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TREASURE ISLAND DEVELOPMENT AUTHORITY

410 AVENUE OF THE PALMS,
BLDG. ONE, 2ND FLOOR, TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660 FAX (415) 274-0299
WWW.SFGOV.ORG/TREASUREISLAND

**TREASURE ISLAND DEVELOPMENT AUTHORITY
MEETING AGENDA
January 12, 2005 1:30 P.M.**

Room 400, City Hall
1 Dr. Carlton B. Goodlett Place

Gavin Newsom, Mayor

DOCUMENTS DEPT.

JAN - 7 2005

SAN FRANCISCO
PUBLIC LIBRARY

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Peter Summerville, Commission Secretary

ORDER OF BUSINESS

1. Call to Order and Roll Call
2. Report by the Executive Director (*Discussion Item*)
 - Report on access to Treasure Island including public use last month
 - Report on short-term leases
 - Report on San Francisco-Oakland Bay Bridge/Caltrans issues
 - Report on Treasure Island community issues
 - Legislation/hearings affecting Treasure Island
 - Financial Report
 - Response to Previous Requests for Information by Directors
3. Report by Mayor's Office of Base Reuse and Development (*Discussion Item*)
 - Status of negotiations with U.S. Navy
 - Status of environmental clean up
 - Status of master development planning process

4. Communications (*Discussion Item*)
 5. Report by the Treasure Island/Yerba Buena Island Citizen's Advisory Board (*Discussion Item*)
 6. Ongoing Business by Directors (*Discussion Item*)
 7. General Public Comment (*Discussion Item*) ***In addition to General Public Comment (Item #7), Public Comment will be held during each item on the agenda.***
-

8. **CONSENT AGENDA**

All matters listed hereunder constitute a Consent Agenda, are considered to be routine by the Treasure Island Development Authority Board and will be acted upon by a single vote of the Authority Board. There will be no separate discussion of these items unless a member of the Authority Board so requests, in which event the matter shall be removed from the Consent Agenda and considered as a separate item.

- a.) Approval of Minutes of December 8, 2004 Meeting (*Action Item*)
 - b.) Resolution Authorizing the Executive Director to Amend the Month-to-Month Sublease for Building 62 with W. Wong Construction Company Inc. to Extend the Term up to December 31, 2005 and Increase the Rent by 3% to \$2060.00 Per Month Beginning January 1, 2005 (*Action Item*)
 - c.) Resolution Authorizing the Executive Director to Amend the Sublease with Island Creative Management Inc. for Building 2 to Extend the Term up to December 31, 2005 and to Increase the Rent by 3% to \$18,540.00 per Month (*Action Item*)
 - d.) Resolution Authorizing the Executive Director to Amend the Sublease with San Francisco Cup Class. LLC for Use of a Portion of Pier One to Extend the Term Through June 1, 2005 and to Increase the Rent by 3% to \$ 3,914.00 per month. (*Action Item*)
 - e.) Resolution Authorizing the Executive Director to Extend the Use Permit with the San Francisco Museum and Historical Society for Use of a Portion of Building 449 for an Additional One Year Term (*Action Item*)
-

9. Presentation of Draft Treasure Island Infrastructure Plan (*Discussion Item*)

POSSIBLE CLOSED SESSION

If approved by the TIDA Board, this Closed Session item will take place for approximately 30 minutes at the end of the meeting

- Public Comment on all items relating to closed session
- Vote on whether to hold closed session to confer with legal counsel. (*Action item*)

10. CONFERENCE WITH REAL PROPERTY NEGOTIATOR
Persons negotiating for the Authority: Tony Hall, Frank Gallagher, Marc McDonald
Persons negotiating with the Authority: Revolution Productions
Property: Building 180, Building 140 (aka Nimitz Conference Center), Approximately 6,326 Square Feet of Office Space in North Wing, Second Floor of Building 1 (aka 410 Palm Avenue); all buildings located on Treasure Island
Under Negotiation: Price____ Terms____ Both X
11. Reconvene in open session (*Action item*)
- Possible report on action taken in closed session under Agenda Item 10. (Government Code section 54957.1 (a) (2) and San Francisco Administrative Code Section 67.12)
 - Vote to elect whether to disclose any or all discussions held in closed session (*San Francisco Administrative Code Section 67.12*).
12. Discussion of Future Agenda Items by Directors (*Discussion Item*)
13. Adjourn

Relevant documents such as resolutions, staff summaries, leases, subleases are available at the Treasure Island Development Authority Office, 410 Avenue of the Palms, Building 1, Treasure Island, and the Government Information Center at the Main Library, 100 Larkin Street. Public comment is taken on each item on the agenda.

MEETING AGENDAS NOW AVAILABLE ON E-MAIL

If you would like to receive TIDA meeting agendas by e-mail, rather than through U.S Postal Service mail, please send your name and e-mail address to TIDA@sfgov.org.

Disability Access

The Treasure Island Development Authority holds its regular meetings at San Francisco City Hall. City Hall is accessible to persons using wheelchairs and others with disabilities. Assistive listening devices are available upon request. Agendas are available in large print. Materials in alternative formats and/or American Sign Language interpreters will be made available upon request. Please make your request for alternative format or other accommodations to the Mayor's Office on Disability 554-6789 (V), 554 6799 (TTY) at least 72 hours prior to the meeting to help ensure availability.

The nearest accessible BART station is Civic Center Plaza at the intersection of Market, Grove, and Hyde Streets. The accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center Station or Van Ness Avenue Station). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/ Noriega. Accessible curbside parking is available on 1 Dr. Carlton B. Goodlett Place and Grove Street. For more information about MUNI accessible services, call 923-6142.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based scented products. Please help the City to accommodate these individuals.

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing devices.

Lobbyist Ordinance

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign and Governmental Code 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site <http://www.sfgov.org/ethics/>.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

For more information on your rights under the Sunshine Ordinance [Chapter 67 of the San Francisco Administrative Code] or to report a violation of the ordinance, contact Donna Hall by mail at Sunshine Ordinance Task Force at City Hall, Room 409, 1 Carlton B. Goodlett Place, San Francisco, CA 94102-4683. The Task Force's telephone and fax numbers are (415) 554-7724 and (415) 554-5163 (fax) or by email at Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org/bdsupvrs/sunshine/ordinance.



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Notes



MANA, ALLISON & ASSOCIATES, INC.

December 17, 2004

Treasure Island Development Authority Board of Directors
410 Avenue of the Palms, 2nd Floor
Treasure Island
San Francisco, CA 94130



Dear Board of Directors,

Since 1987 Mana, Allison & Associates has provided logistical support and event planning services to groups meeting in San Francisco. Our company utilizes the facilities on Treasure Island on a regular bases. Our most important client and, arguably one of the most important companies in the meetings industry, is Carlson Marketing Group.

In May, Carlson is bringing Subaru's 2005 National Dealer Meeting to San Francisco. After several extensive site inspections it was determined that Treasure Island was the most suitable location for Subaru's extensive business activities. To that end, Treasure Island is in receipt of our deposit to secure Building 180 and Building Three from May 13 - 22, 2005.

We initially expressed interest in Treasure Island last September and have tried to contract the facilities for over a month. We were told that a film studio had expressed interest in using some portion of the Island over an extended period. However, the studio has been vague as to what their requirements are and have been unwilling to commit to a contract. Therefore, it was suggested that we send a request for use of the facilities, in writing, along with a good faith deposit. In the meantime, the film studio would be given until December 15th to express, in writing, exactly what portion of the Island they would like to secure. At 4:55p.m. on the 15th the studio sent Treasure Island a one-sentence email stating that they wished to use the Island in some capacity.

I am confident that Treasure Island's event department will concur that the Island's biggest revenue generator is from corporations using the Island for business activities. To be rebuffed so that a film studio can decide to use the Island at their desecration is not good business. This is especially true when the parties being rebuffed are frequent contractors of the Island's facilities.

We have said that we are willing to work with any interested parties to share the use of the Island. The Subaru Dealer Meeting with its 1,300 participants will have a significant economic impact on The City. Planning for the meeting is complicated and arrangements must be made well in advance. It is important that we show Subaru that we appreciate and want their business. I urge you, the Board members, to use your influence to insure that the interests of Subaru are fairly represented.

If you have any questions regarding Subaru's desire to use the Island, please contact me at (415) 474-2266.

Sincerely

Glenn Allison

Managing Director



Island Times

Environmental Investigation and Cleanup News Naval Station Treasure Island

Winter 2004/2005

<http://www.eidsw.navy.mil/Environmental/TreasureIsland.htm>

ENVIRONMENTAL PROGRAM

This newsletter has been developed to update you about the Department of the Navy's (Navy) environmental program and recent field activities at former Naval Station Treasure Island (NAVSTA TI). NAVSTA TI encompasses both Treasure Island (TI) and Yerba Buena Island (YBI). The Navy established the Installation Restoration (IR) Program in 1981 to investigate and clean up sites under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Environmental investigations and cleanup under the IR Program and other programs began on NAVSTA TI in the mid-1980s and continue today. The Navy has identified 33 IR sites on TI and YBI and is following the regulatory process of investigating and cleaning up each of the sites. Please share this information with members of your family, friends, and representatives from any local organizations that may benefit. Individuals, businesses, and organizations can receive future newsletters by completing and returning the mailing coupon on the back page. We also welcome your comments on the newsletter.

UPDATE ON THE TREASURE ISLAND HOUSING AREA

During the summer and fall of 2003, the Navy conducted investigations throughout the common areas of the Treasure Island (TI) housing area (Site 12). Over 3,000 soil samples were collected and analyzed. A summary of the data was prepared titled *"Final Data Summary Report, Site 12 Housing Area Sitewide Investigation, September 9, 2004"* and can be found in the Information Repositories. (See Page 7 for the Information Repository locations.)

The results of the investigation were good news for Site 12. The soil samples did not identify any new areas of soil contamination, and support the results of previous soil investigations which indicate that most of the affected soils are limited to known areas from known historical activities. It also helps to validate the interim protective measures taken to date at Site 12 including fencing, signage, and the protectiveness of existing groundcover throughout the TI housing area. As a result, no further soil sampling is planned at this time.

Next Steps: Based on the data collected to date, during 2005 the Navy will be preparing the Site 12 Remedial Investigation (RI) Report which includes a Human Health Risk Assessment (HHRA). This winter the Navy will also be replacing all of the temporary fencing in the TI housing area which restricts access with new, sturdier fencing.

JOIN THE RESTORATION ADVISORY BOARD

The Restoration Advisory Board (RAB) is composed of members of the community who work with the Navy and regulatory agencies to provide input on the environmental restoration at former NAVSTA TI. The RAB is a committee of interested community members who review and comment on Navy documents prepared for the environmental cleanup at NAVSTA TI. Bi-monthly meetings are held to discuss the progress of the IR Program. It is a great opportunity to find out what is going on and to have your voice heard. RAB meetings are held at 7:00 p.m. on the third Tuesday of every other month and are open to everyone. RAB meetings are currently scheduled for December 21, 2004, February 17, 2005, and April 20, 2005. Stop by!

For more information, visit the website at:

<http://www.eidsw.navy.mil/Environmental/TreasureIsland.htm>

or call James Sullivan at (415) 743-4704.

NEW INVESTIGATION AREAS

The NAVSTA TI Base Realignment and Closure Team has added two new sites to the Navy's Installation Restoration (IR) Program for investigation and cleanup through the CERCLA process. The new sites are Site 32, the Former Training and Storage Area, and Site 33, the Water Line Replacement Area (see the map on page 3). Field sampling under the Environmental Baseline Survey identified contaminants of potential concern in both of these areas. Read on to find out more about these two new sites.

SITE 32 – FORMER TRAINING AND STORAGE AREA

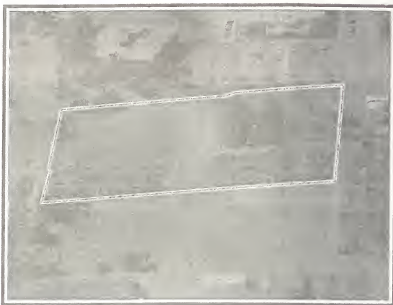


Site 32, the Former Training and Storage Area, is located east of the wastewater treatment plant on Avenue M and includes Buildings 462 and 463. The area was used as a parking lot for vehicles and forklifts, to store hazardous materials and hazardous wastes, as a tear gas training area, and as storage for former training facilities. A concrete pad north of Building 463 formerly held an electrical transformer. The area was designated for investigation to assess the possibility of contamination associated with historical activities and fluid containing polychlorinated biphenyls (PCBs) was known to have been released from the former transformer. Fluid containing PCBs was used as an insulator and lubricant in electrical transformers and their use was banned in 1979.

Preliminary investigations were conducted at the site in April 2003. Soil and groundwater samples were collected, and soil samples from this initial investigation contained PCBs, total petroleum hydrocarbons (TPH) as diesel and motor oil, dioxins, and pesticides. Further investigations were conducted again between September and November 2003 in order to better delineate the contamination and establish the boundaries of the site. None of the contaminants identified in the soil were detected in groundwater above screening levels. Some metals not found in

soil were detected in groundwater. These detections will be evaluated further as this site continues through the CERCLA process. The Navy has begun preparation of the Remedial Investigation report and the draft is scheduled to be complete by spring 2005.

SITE 33 – WATER LINE REPLACEMENT AREA



Site 33, the Water Line Replacement Area, is located on the east side of TI, near Avenue H and 4th Street. This site was identified during a review of historical construction drawings. These drawings showed locations where utility crews observed debris in the trenches for the water lines during the replacement project in the 1980s. In addition, areas of debris were identified near Building 530 when a petroleum pipeline was removed. A groundwater investigation is scheduled for spring 2005.

Preliminary investigations were conducted at the site in April 2003 and again between September and November 2003. Soil samples were collected as part of these investigations and were found to contain dioxins and metals in some locations. The site is continuing through the CERCLA process and a draft Remedial Investigation report is scheduled to be complete by summer 2005.

NAVY SIGNS AND FENCES AT TI/YBI

The Navy appreciates the cooperation of tenants and visitors in observing posted signs identifying areas fenced off for your safety in the Westside Drive/Avenue B, Bayside Drive, Northpoint Drive and 13th Street areas, and the rules provided by housing management for do's and don'ts in backyards and common areas. Fencing and signage is also posted at other environmental investigation and cleanup areas on TI and YBI.



NEW TEAM MEMBERS

Jim Whitcomb, Navy Remedial Project Manager

Jim Whitcomb is the newest Naval representative on the NAVSTA TI Base Realignment and Closure [BRAC] Cleanup Team (BCT). Jim is a geologist who joined the team as a remedial project manager in March 2004. He received his Bachelor of Science degree from the Louisiana State University at Baton Rouge, Louisiana. Jim also started his career at Louisiana State University, publishing research material as a wetlands geochemist. His career interests shifted into environmental geology and hydrogeology, and he spent time working for the petrochemical industry on regulatory issues. He then spent 10 years running his own environmental services company.



Jim Whitcomb

Jim's responsibilities on the team at NAVSTA TI include overseeing select basewide programs, such as asbestos abatement and historical radiological investigations, as well as the remedial investigation for Site 12.

This isn't the first time Jim has worked for the Navy. He served his first enlisted tour of duty as a sonar man on the USS Charles F Adams DDG-6 from 1979 to 1982.

"I'm pleased to be working for the Navy again, this time as a remedial project manager," says Jim. "Working with the dedicated BCT members toward a common goal of preparing NAVSTA TI for eventual transfer back to the public is very satisfying."

Jim knows the job of environmental investigation and remediation isn't an easy one. "The main challenge is pulling together the tremendous amount of environmental data and observations collected over the years and determining what the data mean and what would be the best and most appropriate solutions for the environmental concerns encountered," he said.

Jim's office is located in San Diego. In his spare time, he and his wife Raquel enjoy exploring the local and California geology. He also enjoys photography and writing computer software for handheld computers. Welcome, Jim!

Alan Friedman, Regional Water Quality Control Board Remedial Project Manager

Alan Friedman is the newest regulatory representative on the NAVSTA TI BCT. Alan has been with the Regional Water Quality Control Board (Water Board) for eighteen years, but just recently joined the NAVSTA TI project as a Remedial Project Manager, representing the Water Board.

Alan earned his B.S. degree in chemical engineering from Case Western Reserve University in Cleveland, Ohio. He then attended New York State University College of Environmental Science and Forestry, where he earned an M.S. in environmental science. During his eighteen years with the Water Board Alan has had many responsibilities, including regulating surface water discharge from municipalities, spill and complaint response, and landfill monitoring. He is now working with military facilities, including NAVSTA TI.



Alan Friedman

Alan's responsibilities on NAVSTA TI include oversight of the basewide groundwater and surface water investigations and monitoring. He noted that there is a long and rich history of activity and investigation at NAVSTA TI, and it will be challenging to get up to speed on all of the information. When asked what he likes best about the NAVSTA TI project, Alan responded that, while he is accustomed to working with teams, "base closure is more organized and systematic, bringing together project managers, regulatory agencies, and the military. Instead of working as adversaries, we work collaboratively. It has the potential to be very useful."

Alan's office is located in Oakland, and he lives in the East Bay with his wife and their two-year-old son. In fact, running around with his son keeps him quite busy! When he has the time, Alan enjoys outdoor activities like running, skiing, and hiking. He also enjoys playing the piano and sings in a local choir. Welcome, Alan!

TI/YBI HISTORICAL FACT QUESTION

What do Treasure Island and Hollywood have in common?

See answer on page 6.

WHAT IS THE STATUS OF PROPERTY TRANSFER?

The Navy is continuing to work on environmental activities related to the transfer of property at TI and YBI from the Navy to the Treasure Island Development Authority (TIDA), including discussions on an early transfer. During 2005 the Navy will be preparing Findings of Suitability to Transfer (FOSTs) for portions of property on TI and YBI where CERCLA cleanup actions are not required. Drafts of the FOSTs will be made available for public review. Actual transfer will occur at a future date following completion of a property conveyance agreement between the Navy and TIDA.

HISTORICAL RADIOLOGICAL ASSESSMENT UNDERWAY

In an effort to verify and document all the information about historic radiological activities at the former Naval Station, the Navy is currently conducting a basewide Historical Radiological Assessment (HRA). The Navy issued Fact Sheet No. 1 on November 18, 2004. It is also available on the Navy web site. Regular updates on the progress of the HRA will be given at the Navy's Restoration Advisory Board meetings, and the document is planned to be final in fall 2005. For further information, please contact Mr. Jim Whitcomb, Navy remedial project manager (619) 532-0936.

LEAD-IMPACTED SOIL REMOVAL ON YERBA BUENA ISLAND

The Navy has been conducting lead-based paint (LBP) investigations and remediation work at the historic officers quarters (Quarters 1 through 7) on Yerba Buena Island (YBI). These historic buildings were constructed between 1900 and 1903 as Naval Officer housing for the original Naval Training Station on YBI. Contamination is from exterior paint that may have flaked or weathered from rain. Based on sampling following Housing and Urban Development guidelines, LBP contamination was identified along what is called the "drip line", anywhere from three to five feet around the buildings. In addition, due to the numerous tiered planter areas surrounding Quarters 3, 4, and 5, lead-impacted soil was excavated up to 20 feet from these buildings. Further releases of LBP to the soil have been halted by the use of encapsulating paint over all of the paint surfaces to prevent further flaking and weathering.

Quarters 1 through 7 have many planter boxes in the drip line area, so the Navy began by working with a State Historic Preservation Officer to determine the uniqueness of the landscape in order to preserve the planter boxes if possible. In addition, the Navy brought in an arborist to determine the health of the vegetation. Most of the larger plants were removed because they were in poor condition. Plants that were removed will be replaced with like plants when the environmental work is completed.

Clearing and removal of vegetation was completed in late July 2004, and excavation efforts then began. Due to limited working space and to avoid disturbing historic brick walls, the Navy conducted a great deal of hand digging. Initially, excavation and investigation included removing two feet of soil below ground surface. Confirmation samples were then collected to determine whether the contaminated soil had been removed or if another 1-foot of soil would need to be removed. This process continued until samples showed no elevated concentrations of lead, or until a hardscape, such as a sidewalk or road was reached.

Currently, the Navy is working with the regulatory agencies to determine whether further investigation and remediation is necessary.



Avenue of the Palms on Treasure Island

POLYCHLORINATED BIPHENYLS (PCB) INVESTIGATION

An inventory was initiated at NAVSTA TI for electrical equipment, such as high-voltage transformers, that held fluid that may contain PCBs. Fluid containing PCBs was used as an insulator and lubricant in electrical transformers and their use was banned in 1979. Transformers were evaluated to identify the potential for PCBs, and several transformers identified as containing PCB fluids were removed between 1995 and 1996. A 1995 environmental survey documented spills and stains that may be related to fluid containing PCBs. The Navy conducted an additional evaluation by reviewing aerial photographs and historical information on the use of the buildings.

Earlier this year, in an effort to support the Finding of Suitability to Transfer (FOST), the Navy investigated all historical potential PCB-containing electrical equipment within the FOST areas. Of the more than 200 locations sampled within the FOST areas, only six had detections above the Navy's proposed screening levels. The Navy and regulatory agencies are currently working collaboratively to evaluate the data and schedule additional cleanup activities. Outside of the FOST areas, sampling was conducted where current or former possible PCB-containing equipment was located and had observable staining or evidence of potential equipment leaks. Results of the investigations are being evaluated and will be documented in the PCB Summary Report, to be finalized in early 2005.

ACCOMPLISHMENTS UNDER THE PETROLEUM PROGRAM

In addition to the CERCLA Program, the IR Program includes investigation and cleanup of sites with petroleum contamination from historical uses such as fueling stations, vehicle maintenance areas, a firefighter training area, and an auto hobby shop. Petroleum contamination at NAVSTA TI is primarily from fuel lines and underground storage tanks (USTs). The Navy has addressed 95 percent of the petroleum contamination at TI and YBI. The remaining 5 percent is scheduled to be complete in 2005. The following is a brief overview of the cleanup accomplishments under the Petroleum Program:

- More than 13,000 linear feet of fuel distribution pipeline have been removed
- More than 750 linear feet of fuel distribution pipeline have been closed in place

- At least 50,000 tons of petroleum-contaminated soil have been excavated and replaced with clean fill
- 47 UST closures have been completed for known leaking and nonleaking tanks
- 7 UST closures have been completed for suspected tanks (that may have existed but were removed or previously abandoned)
- 16 UST closures have been completed for previously suspected tanks (once thought to have existed, but through research and investigation now believed to have never existed)
- 11 fuel pipeline site closures have been achieved

STREAMLINING THE BASE REALIGNMENT AND CLOSURE OFFICE

In an effort to improve the base closure process for closed Navy and Marine Corps facilities, the Navy has moved the Base Realignment and Closure (BRAC) Operations Department out from the Naval Facilities Engineering Command to directly under the Assistant Secretary of the Navy for Installations and the Environment. This move will ensure the highest level of Navy involvement in all areas of BRAC operations and streamline Navy organizations involved in the process. The new office is known as the BRAC Program Management Office (PMO), and the San Diego office responsible for TI/YBI is BRAC PMO West. The organizational change went into effect on October 1, 2004.

TI/YBI HISTORICAL FACT ANSWER

Movies are made in both places. Even before the Naval Station closed in 1997, the Navy and the City agreed to lease space in former warehouse and hangar buildings for movie production. Movies shot on TI since the mid-1990's have included *Jade*, *Copycat*, *James and the Giant Peach*, *Flubber*, *Bicentennial Man*, *Patch Adams*, *What Dreams May Come*, *Metro*, *the Hulk* and the *Nash Bridges* television series. Other films and commercials have also used TI and YBI as a backdrop. Earlier, while the base was operational, the Administration Building 1 served as Berlin Airport for a brief scene in *Indiana Jones and the Last Crusade*.



BRAC CLEANUP TEAM CONTACT LIST

Name/Title	Organization	Phone/Fax	Address	E-mail
James Sullivan BRAC Environmental Coordinator	Navy BRAC Program Management Office West	(619) 532-0966 (415) 743-4704 Fax: (619) 532-0983	1230 Columbia St. Suite 1100 San Diego, CA 92101	james.b.sullivan.2@navy.mil
La Rae Landers Lead Remedial Project Manager	Navy BRAC Program Management Office West	(619) 532-0970 Fax: (619) 532-0983	1230 Columbia St. Suite 1100 San Diego, CA 92101	larae.landern@navy.mil
David Rist Remedial Project Manager	California EPA Department of Toxic Substances Control	(510) 540-3763 Fax: (510) 849-5285	700 Heinz Ave. Suite 200 Berkeley, CA 94710	drist@dtsc.ca.gov
Alan Friedman Remedial Project Manager	California EPA Department of Toxic Substances Control	(510) 622-2347 Fax: (510) 622-2460	1515 Clay St. Suite 1400 Oakland, CA 94612	afriedman@waterboards.ca.gov

INFORMATION REPOSITORY

The following information repositories are provided for the community to review current documents related to environmental cleanup activities at NAVSTA TI:

**Department of the Navy
Navy BRAC Program Management Office West**

410 Palm Avenue, Building 1, Room 161
Treasure Island, San Francisco, California
(415) 743-4704
Monday - Friday
8:30 a.m. to 4:30 p.m.

San Francisco Public Library
Government Publications Section
100 Larkin Street, San Francisco, California
(415) 557-4400

Monday - 10:00 a.m. to 6 p.m.
T/W/Th. - 9:00 a.m. to 8:00 p.m.
Friday - noon to 6:00 p.m.
Saturday - 10:00 a.m. to 6:00 p.m.
Sunday - noon to 5:00 p.m.



NAVSTA TI entrance and Building 1



View of Building 1 from San Francisco

Mailing Coupon

If you would like to be added to the TI/YBI mailing list and receive copies of future newsletters and fact sheets, please fill out the coupon below and mail it to:

James Sullivan
Navy BRAC Program Management Office West
410 Palm Avenue
Room 161, Building 1
Treasure Island, San Francisco, CA 94130-1806

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James Sullivan
Navy BRAC Program Management Office West
410 Palm Avenue
Room 161, Building 1
Treasure Island
San Francisco, CA 94130-1806



Peter Summerville
Commission Secretary, Webmaster
Treasure Island Development Authority
410 Avenue of Palms, Building 1, 2nd Floor
Treasure Island
San Francisco, CA 94130



CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CITY ATTORNEY



DENNIS J. HERRERA
City Attorney

DIRECT DIAL: (415) 554-4748
E-MAIL: glorio.smith@sfgov.org

January 5, 2005

Tony Hall
Executive Director
Treasure Island Development Authority
410 Avenue of Palms
Treasure Island
San Francisco, CA 94130

Re: Representation of Treasure Island Development Authority (TIDA) in
Connection with Sublease Negotiations for the Filming of the Movie *Rent*

Dear Mr. Hall:

I write in response to a letter that came to my attention, dated January 4, 2005 and addressed to the TIDA Board, in which you assert that this Office has a conflict of interest and that the TIDA Board may need to consider retaining outside counsel in connection with the drafting of a proposed sublease.

I want to assure you that this Office does not have conflict of interest in representing TIDA and that TIDA is well-represented by this Office.

As you know, TIDA and the City share a unique, interdependent, and cooperative relationship. Although TIDA is a separate legal entity, it exists to perform certain functions exclusively for the City and the territory over which it has jurisdiction is entirely within the City. Indeed, it was formed to consolidate otherwise overlapping agencies in the City – namely the City's Port and the San Francisco Redevelopment Agency – in one agency focused on redevelopment of the former naval base. The City established TIDA for this purpose and controls its board. The City Resolution that established TIDA under the State authorizing legislation specified that the City Attorney would be the legal counsel for TIDA.

I have devoted a deputy to representing TIDA. That attorney has significant experience with the laws and regulations governing TIDA. TIDA can have confidential communications with that attorney, who takes instructions regarding TIDA work assignments from TIDA, and as far as I am aware, you are satisfied with his representation of TIDA. As to this matter, we have separate deputies assigned to the City's Film Commission, which is negotiating agreements with TIDA and the film studio, and TIDA confidential conversations are not shared with those



CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CITY ATTORNEY

Letter to Tony Hall

Page 2

January 5, 2005

deputies or any deputy supervising them. This arrangement is similar to arrangements we make in other circumstances where the law assigns us as counsel to an entity that while technically separate, has overlapping jurisdiction and an interdependent relationship with the City.

The issue that you mention in your letter – that you were presented with a term sheet that differed from the one you presented to the City – does not reflect a conflict of interest on the part of my office or demonstrate that TIDA's interests are being inadequately represented by its counsel. It simply reflects disagreement between the City and TIDA over policy and business issues. If TIDA disagrees with the term sheet, it can inform the City negotiators of that fact. City and TIDA personnel are fully capable of negotiating over business and policy differences without hiring additional counsel.

I hope this addresses the issues you raised. If you have further questions, I am happy to discuss this matter with you.

Very truly yours,



DENNIS J. HERRERA
City Attorney

cc: TIDA Board of Directors
Steve Kawa

Hand





Notes

TREASURE ISLAND DEVELOPEMNT AUTHORITY
City and County of San Francisco

Agenda Item No. 8(b)

January 12, 2005

Subject: Resolution Authorizing the Executive Director to Amend the Month-to-Month Sublease for Building 62 with W. Wong Construction Company Inc. to Extend the Term up to December 31, 2005 and Increase the Rent by 3% to \$2060.00 Per Month Beginning January 1, 2005

Staff Contact: Frishtah Afifi, 274-0660, Project Coordinator

SUMMARY OF PROPOSED ACTION

Staff requests the Authority to adopt a resolution to amend the month-to-month sublease with W Wong Construction for the use of Building 62, retroactive to October 15, 2004, to extend the term up to December 31, 2005, and to increase the rent by 3%, W Wong Construction pay approximately \$0.41 per square foot and the rent for the facility will be \$2,060 per month.

BACKGROUND MATERIAL

On July 1, 1999, the Authority executed a month-to-month sublease with W. Wong Construction for the use of Building 62 on Treasure Island. Pursuant to the Authority's policy for real property disposition, the Authority approved six month extensions to sublease on February 9, 2000 and September 13, 2000. On March 29, 2001 and February 13, 2002, the Authority approved additional one year extensions of the sublease. On October 9, 2003, the Authority Board of Directors approved an extension of the month-to-month term of the Sublease retroactively from March 1, 2003 until October 15, 2004. On October 15, 2004, the current extension of the sublease expired, and the lease has been in hold over status since that time. The resolution under consideration by the Authority Board would extend the term of the month-to-month sublease up to December 31, 2005, and the action would apply retroactively to October 15, 2004, and increase the rent by 3% to \$2,060.00 per month.

The sublease provides for use of a portion of Building 62 by W Wong Construction for storage of office-related equipment, files, and records and for no other purpose. The subtenant does not permit any persons to enter or occupy the premises, except for periodic access to the materials stored in the premises, as provided in section 6.2 of the Sublease. The current monthly base rent for the facility is two thousand dollars (\$2,000.00). Staff recommends a 3% rental increase which will be approximately \$0.41 per square foot and the rent for the facility will be \$2,060 per month.

RECOMMENDATION

Staff recommends approval of the Authority to amend the month-to-month sublease with W Wong Construction, to extend its term retroactive from October 15, 2003, up to December 31, 2005, and to increase the Base Rent by 3% to \$2,060.00 per month. Further continuation of the sublease beyond December 31, 2005 would require additional Authority approval.

EXHIBITS

- A. 2004/2005 Amendment to Sublease between W. Wong Construction and TIDA

[Amending the Month-to-Month Sublease with W. Wong Construction Company Inc. for Building 62 to extend the term and increase the rent.]
Resolution Authorizing The Executive Director To Amend the Month-to-Month The Sublease For Building 62 With W. Wong Construction Company Inc. to Extend the term up to December 31, 2005 And Increase The Rent By 3% To \$2060.00 Per Month beginning January 1, 2005.

WHEREAS, On July 1, 1999, the Authority's Executive Director, acting under Section 10 of the Authority's Rules and Procedures for the Transfer and Use of Real Property, adopted by the Authority on March 11, 1998 (the "Transfer Rules"), entered into a month-to-month sublease (the "Sublease"), a copy of which is attached hereto as Exhibit A, with W. Wong Construction Inc. ("Subtenant") for the use of a portion of Building 62 (the "Premises") for the storage of files and records and office related equipment, at a rental rate of Two Thousand Dollars (\$2,060.00) per month; and,

WHEREAS, Under Section 10 of the Transfer Rules, even a month-to-month sublease has to be separately approved by the Authority if the cumulative term of such sublease exceeds six months; and,

WHEREAS, On February 9, 2000 and September 13, 2000, the Authority approved and authorized the continuation of the Sublease on a month-to-month basis for another six months; and,

WHEREAS, On March 29, 2001 and on February 13, 2002, the Authority approved and authorized the continuation of the Sublease on a month-to-month basis for a twelve month periods; and,

1 **WHEREAS**, On October 9, 2003, the Authority Board of Directors approved an
2 extension of the month-to-month term of the Sublease retroactively from March 1, 2003 until
3 October 15, 2004; and,

4 **WHEREAS**, The Subtenant wishes to continue occupancy of the Premises for an
5 additional 12 months, and the Authority staff is recommending such an extension at an
6 increased rental rate of 3% to \$2060.00 per month; now therefore be it

7 **RESOLVED**: That the Authority hereby approves and authorizes Executive Director to
8 execute an amendment to the Sublease on a month-to-month basis in substantially the form
9 attached hereto as Exhibit A, retroactive to October 15, 2004, and which will not exceed
10 December 31, 2005, provided that nothing herein shall limit the Authority's ability to terminate
11 the Sublease on thirty days notice as provided in the Sublease
12

13
14
15 **CERTIFICATE OF SECRETARY**

16
17 I hereby certify that I am the duly elected and acting Secretary of the Treasure
18 Island Development Authority, a California nonprofit public benefit corporation, and
19 that the above Resolution was duly adopted and approved by the Board of Directors
20 of the Authority at a properly noticed meeting on January 12, 2005.

21
22 _____
23 Susan Po-Rufino, Secretary
24
25

**2004/2005 AMENDMENT TO
SUBLEASE**

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

**W Wong Construction Co., Inc.
as Subtenant**

For the Sublease of

**Building 62 at Treasure Island Naval Station
San Francisco, California**

December 8, 2004

**2004/2005 AMENDMENT TO
TREASURE ISLAND SUBLEASE**

THIS 2004/2005 AMENDMENT TO SUBLEASE (the "Amendment"), dated for reference purposes only as of December 8, 2004, is by and between the Treasure Island Development Authority ("Sublandlord" or "Authority") and W. Wong Construction Co., Inc., a California corporation ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. On July 1, 1999, the Authority entered into a month-to-month sublease (the "Sublease") with Subtenant for the use of Building 62 on Treasure Island. Under the Sublease, the month-to-month term could not exceed six months. The Board of Directors of the Authority approved six month extensions of that maximum term on February 9, 2000 and September 13, 2000. On March 29, 2001 and February 13, 2002, the Authority Board of Directors approved one year extensions of the month-to-month term of the Sublease. On October 9, 2003, the Authority Board of Directors approved an extension of the month-to-month term of the Sublease retroactively from March 1, 2003 until October 15, 2004.

B. The Parties wish to further extend the month-to-month term of the Sublease to December 31, 2005 by this Amendment.

NOW THEREFORE, Sublandlord and Subtenant hereby agree amend the Sublease as follows:

1. Paragraph 3.1 of the Sublease is hereby amended to read as follows:

"3.1 Term of Sublease. The term of this Sublease shall commence on July 1, 1999 (the "Commencement Date") and continue on a month-to-month basis until either party elects, in its respective sole and absolute discretion, to terminate this Sublease by giving the other party at least thirty (30) days written notice, unless sooner terminated pursuant to the terms of this Sublease. Notwithstanding the foregoing, the Sublease shall not extend beyond ~~January 1, 2000~~ December 31, 2005 and Subtenant may not hold over or otherwise occupy the Premises beyond such date."

2. Paragraph 4.1 of the Sublease is hereby amended to read as follows:

"Base Rent. Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord ~~Two Thousand Dollars (\$2000.00)~~ Two Thousand Sixty Dollars (\$2060.00) per month (the "Base Rent"). Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date occurs on a date other

than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Base Rent for such fractional month shall prorated based on a thirty (30) day month."

3. Except as expressly amended herein, all other terms and conditions of the Sublease shall remain in full force and effect.

Sublandlord and Subtenant have executed this Amendment in triplicate as of the date first written above.

SUBTENANT:

W. Wong Construction Co., Inc.,
a California Corporation

By: _____

Its: _____

Date: _____

SUBLANDLORD:

The Treasure Island Authority

By: _____

Its: _____

Date: _____

Approved as to Form:

DENNIS J. HERRERA,
City Attorney

By: _____
Deputy City Attorney



AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Agenda Item No. 8 (c)

Meeting of January 12, 2005

Subject: Resolution Authorizing the Executive Director
To Amend the Sublease with Island Creative
Management for Building 2 to Extend the Term up to December 31, 2005
and to increase the Rent by 3% to \$18,540.00 per month

Contact/Phone: Frishtah Afifi, Project Coordinator
274-0660

SUMMARY OF PROPOSED ACTION

This item seeks the approval of the Authority to enter into the Second Amendment to the interim sublease with Island Creative for use of Hanger 2 to extend the term up to December 31, 2005 and to increase the rent by 3%. Island Creative will be paying approximately \$0.13 per square foot and rent for the facility will be \$18,540 per month.

BACKGROUND

On September 1, 1999, the Authority executed a sublease with the Island Creative Management (Island Creative) to use Building 99 to build sets for television, film production, and special events. On December 31, 2002, the Authority executed a new sublease with the Island Creative that involved relocation to Building 2, one of the historic hangars on Treasure Island. The relocation provided Island Creative additional space for their operation and allowed the Navy to conduct environmental remediation activities in Building 99, where Island Creative was located. The term of the Building 2 sublease was for 12 months and rent was set at \$18,000 per month. On May 12, 2004 the Authority Board of Directors authorized an additional extension of the sublease to December 31, 2004.

Island Creative has indicated a desire to continue subleasing Building 2 and staff is seeking Authority approval to execute a Second Amendment extending the term of the sublease through December 31, 2005. As of January 1, 2005 with the 3% increased rental rate, Island Creative will be paying approximately \$0.13 per square foot and the rent for the facility will be \$18,540 per month. All other terms and conditions of the Sublease remain the same.

RECOMMENDATION

Staff recommends approval of the resolution authorizing the Executive Director to execute the Second Amendment to the Sublease for Building 2 with Island Creative Management.

EXHIBITS

- A Second Amendment to Sublease Between Island Creative Management and TIDA

[Authorizing Second Amendment to Sublease with Island Creative Management, Inc. for Building 2]
Authorizing The Executive Director To Amend The Sublease With Island Creative Management Inc. For Building 2 to Extend The Term up to December 31, 2005 And to Increase The Rent By 3% To \$18,540.00 Per Month Per Month.

WHEREAS, On May 2, 1997, the Board of Supervisors (the "Board") passed Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit corporation known as the Treasure Island Development Authority (the "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of former Naval Station Treasure Island (the "Base") for the public interest, convenience, welfare and common benefit of the inhabitants of the City and County of San Francisco; and,

WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority as a redevelopment agency under California redevelopment law with authority over the Base upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the Base which are subject to the Tidelands Trust, vested in the Authority the authority to administer the public trust for commerce, navigation and fisheries as to such property; and,

WHEREAS, The Tidelands Trust prohibits the sale of trust property into private ownership, generally requires that Tidelands Trust property be accessible to the public and encourages public-oriented uses of trust property that, among other things, attract people to the waterfront, promote public recreation, protect habitat and preserve open space; and,



1 **WHEREAS**, In order to facilitate productive reuse of the Base, it may be beneficial for
2 the Authority to lease or license property from the Navy and, in turn, sublease or sublicense
3 such property to third-parties or use such property for municipal purposes; and,

4 **WHEREAS**, On September 1, 1999, the Authority's Executive Director entered into a
5 month-to-month sublease (the "Original Sublease") with Island Creative Management Inc.
6 ("Subtenant") for the use of a portion of Building 99 (the "Initial Premises") for the building of
7 sets used in television and film production; and,

8 **WHEREAS**, The Navy informed the Authority that environmental remediation activities
9 needed to be conducted in and near Building 99 and it was desirable to have that facility
10 unoccupied at the time those activities were scheduled to occur, and on December 31, 2002,
11 the Authority and Subtenant entered into a new sublease for Building 2; and,

12 **WHEREAS**, On May 12, 2004 the Authority Board of Directors authorized extending
13 the term of the sublease for Building 2 to December 31, 2004; and,

14 **WHEREAS**, Island Creative Management has expressed a desire to continue
15 operations in Building 2, and Authority staff recommend such an extension at a 3% increase
16 in the monthly rental rate to \$18,540.00 per month; now therefore be it
17

18 **RESOLVED**, That the Board of Directors hereby authorizes the Executive Director to
19 execute a Second Amendment to the Sublease with Island Creative Management, retroactive
20 to December 31, 2004, for use of Building 2 in substantially the form attached as Exhibit A to
21 extend the term up to December 31, 2005 and increase the monthly rental rate by 3% to
22 \$18,540.00 per month, provided that nothing herein shall limit the Authority's ability to
23 terminate the Sublease on thirty days notice as provided in the Sublease.;
24
25

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3
4 CERTIFICATE OF SECRETARY
5

6 I hereby certify that I am the duly elected and acting Secretary of the Treasure
7 Island Development Authority, a California nonprofit public benefit corporation, and
8 that the above Resolution was duly adopted and approved by the Board of Directors
9 of the Authority at a properly noticed meeting on January 12, 2005.
10

11 _____
12 Susan Po-Rufino,
13 Secretary
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SECOND AMENDMENT TO SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

ISLAND CREATIVE MANAGEMENT LLC

as Subtenant

For the Sublease of

**Building 2 at Naval Station Treasure Island
San Francisco, California**

December 8, 2004

**SECOND AMENDMENT TO
TREASURE ISLAND SUBLEASE**

THIS SECOND AMENDMENT TO SUBLEASE (the "Second Amendment"), dated as of this ____ of December 8, 2004, is by and between the Treasure Island Development Authority ("Sublandlord") and Island Creative Management, a Limited Liability Corporation ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. On December 30 2002, the Parties entered into that certain Sublease (the "Sublease") whereby Sublandlord subleased to Subtenant Building 2, together with a non-exclusive right to use certain parking areas adjacent thereto, all as more particularly shown on the map attached to the Sublease as Exhibit B (the "Premises").

B. On May 12, 2004, the Parties amended the Sublease (the "First Amendment") by extending the term of thereof up to December 31, 2004 on the same terms and conditions contained in the Sublease. The Sublease and the First Amendment are collectively referred to herein as the "Original Sublease."

C. On January 12, 2005, the Authority's Board of Directors authorized the Executive Director to enter into this Second Amendment.

NOW THEREFORE, Sublandlord and Subtenant hereby agree as follows:

1. Paragraph 3.1 of the Original Sublease is hereby amended to read as follows:

"Term of Sublease. The term of this Sublease (the "Term") shall commence on December 31, 2002 (the "Commencement Date") and continue on a month-to-month basis not to exceed December 31, 2005 ~~December 31, 2004~~. Either Party may, in its sole discretion, terminate this Sublease by giving thirty (30) days prior written notice to the other Party. Subtenant hereby acknowledges that the underlying Master Lease with the Navy currently is scheduled to terminate on December 1, 2004, and that Sublandlord anticipates but cannot guarantee that the Navy will extend the term of such Master Lease beyond the date of December 1, 2004. In the event that the Navy refuses to extend the term of the Master Lease, Subtenant agrees that this Sublease shall terminate upon the termination of the Master Lease.

2. Paragraph 4.1 of the Original Sublease is hereby amended to read as follows:

"Base Rent. Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord base rent in the amount of Eighteen Thousand Dollars (\$18,000) per month (the "Base Rent"). Beginning on January 1, 2005, Base Rent shall be Eighteen Thousand Five Hundred Forty Dollars (\$18,540.00) per month. Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or

counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date occurs on a date other than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Base Rent for such fractional month shall prorated based on a thirty (30) day month."

3. Except as expressly amended in this Amendment, all other terms and conditions of the Sublease shall remain in full force and effect.

Sublandlord and Subtenant have executed this Amendment in triplicate as of the date first written above.

SUBTENANT:

**Island Creative Management,
a Limited Liability Corporation**

By: _____

Its: _____

SUBLANDLORD:

Treasure Island Development Authority

By: _____

Its: _____

Approved as to Form:

DENNIS J. HERRERA,
City Attorney

By _____
Deputy City Attorney



AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Agenda No: 8(d)

Meeting Date: January 12, 2005

Subject: Resolution Authorizing the Executive Director to Extend the Term of the Sublease with San Francisco Cup Class, LLC for use of a portion of Pier One Through June 1, 2005 and increase the rent by 3% to \$ 3,914.00 per month. (Action Item)

Staff Contact: Marc McDonald or DJ Canepa
(415) 274-0660

SUMMARY OF PROPOSED ACTION

Staff requests approval to execute an amendment to the sublease with San Francisco Cup Class, LLC (SFCC) for a portion of Pier 1 at the South Waterfront area of Treasure Island to extend the term up to June 1, 2005 and to increase the rent by 3%, San Francisco Cup Classic will be paying approximately \$0.21 per square foot and rent for the facility will be \$3,914.00 per month.

BACKGROUND

On May 1, 2003 the Treasure Island Development Authority entered into a month to month sublease with the SFCC (formerly America's Cup Media, LLC) for space on Pier 1. At that time, SFCC was in the nascent stage of organizing a four- race series of regattas with America's Cup Class boats competing on San Francisco Bay. SFCC approached the TIDA about using a portion of Pier 1 in its search for a home for its operations and storage.

SFCC pays the Authority \$3,800 per month to lease approximately 19,000 square feet at the end of Pier 1 for six months to store the America's Cup Class boats. The premises have been used to store the America's Cup Class yachts, containers, a crane and other goods.

SFCC has also agreed to pay the Authority \$3,914.00 effective January 1, 2005, this is an increase of 3 percent, San Francisco Cup Classic will be paying approximately \$0.21 per square foot and the rent for the facility will be \$3,914.00 per month. San Francisco Cup LLC has requested an extension of the term of their Sublease. Authority staff wishes to extend the term of the sublease through June 1, 2005 at the increased rental rate.

RECOMMENDATION

Staff recommends approval.

EXHIBITS

- A Sublease between the Treasure Island Development Authority and the San Francisco Cup Class for a portion of Pier 1.

1 [Extension of Sublease with San Francisco Cup Class]

2 **AUTHORIZING THE EXECUTIVE DIRECTOR TO EXTEND THE TERM OF THE**
3 **SUBLEASE WITH SAN FRANCISCO CUP CLASS FOR USE OF A PORTION OF**
4 **PIER ONE THROUGH JUNE 1, 2005 AND INCREASE THE RENT BY 3% TO**
5 **\$3,914.00 PER MONTH.**
6

7 **WHEREAS,** On May 2, 1997, the Board of Supervisors (the "Board") passed
8 resolution No. 380-97 authorizing the Mayor's Treasure Island Project Office to
9 establish a nonprofit public benefit corporation known as the Treasure Island
10 Development Authority (the "Authority") to act as a single purpose entity focused on
11 the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of
12 former Naval Station Treasure Island (the "Base") for the public interest,
13 convenience, welfare and common benefit of the inhabitants of the City and County
14 of San Francisco; and,
15

16 **WHEREAS,** Under the Treasure Island Conversion Act of 1997, which
17 amended Section 33492.5 of the California Health and Safety Code and added
18 Section 2.1 to Chapter 1333 of the Statutes of 1968 (the "Act"), the California
19 legislature (i) designated the Authority as a redevelopment agency under California
20 redevelopment law with authority over the Base upon approval of the City's Board of
21 Supervisors, and, (ii) with respect to those portions of the Base which are subject to
22 the Tidelands Trust, vested in the Authority the authority to administer the public
23 trust for commerce, navigation, and fisheries as to such property; and,
24
25

1 **WHEREAS,** The Tidelands Trust encourages maritime-oriented uses of trust
2 property; and,

3 **WHEREAS,** In order to facilitate productive reuse of the Base, it may be
4 beneficial for the Authority to lease or license property from the Navy and, in turn,
5 sublease or sublicense such property to third-parties or use such property for
6 municipal purposes; and,
7

8 **WHEREAS,** The Treasure Island Development Authority, ("Authority") and
9 the United States Navy, ("Navy"), entered into a master lease on September 4,
10 1998, for the South Waterfront Area, which master lease has been amended from
11 time to time; and,
12

13 **WHEREAS,** The master lease enables the Authority to sublease portions of
14 the master leased area for interim uses; and,
15

16 **WHEREAS,** On May 1, 2003, the Authority and San Francisco Cup
17 Class("Permittee") entered into a six-month Use Sublease pursuant to which the
18 Authority conferred to Permittee a personal, non-exclusive and non-possessionary
19 privilege to enter upon and use an area (the "Licensed Area") consisting of
20 approximately 19,000 Square feet at the end of Pier 1, and,
21

22 **WHEREAS,** On May 12, 2004, the Authority approved an extension of the
23 Sublease to December 31st 2004; and,
24

25 **WHEREAS,** The Authority staff and Permittee have agreed to increase the
monthly rent by 3% to \$3,914 per month.

1 **WHEREAS**, the Authority is willing to extend the term of the Sublease
2 through June 1, 2005 at the increased rate of rent; now therefore be it

3 **RESOLVED**, that Treasure Island Development Authority Board of Directors
4 hereby authorizes the Executive Director to retroactively extend the term of the
5 Sublease through June 1, 2005 and to execute an amendment to the Use Permit for
6 such extension at a 3% increase of the monthly rental rate for a total rent of
7 \$3,914.00per month.
8
9

10
11 **CERTIFICATE OF SECRETARY**

12 I hereby certify that I am the duly elected and acting Secretary of the Treasure
13 Island Development Authority, a California nonprofit public benefit corporation, and
14 that the above Resolution was duly adopted and approved by the Board of Directors
15 at a properly noticed meeting on January 12, 2005.
16
17

18
19 _____
20 Susan Po- Rufino, Secretary
21
22
23
24
25

SECOND AMENDMENT TO SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

SAN FRANCISCO CUP CLASS LLC

d.b.a. THE CHALLENGE - SERIES

as Subtenant

For the Sublease of

A Portion of Pier 1 at Naval Station Treasure Island

San Francisco, California

December 8, 2004

**SECOND AMENDMENT TO
TREASURE ISLAND SUBLEASE**

THIS SECOND AMENDMENT TO SUBLEASE (the "Second Amendment"), dated as of this ____ of December, 2004, is by and between the Treasure Island Development Authority ("Sublandlord") and San Francisco Cup Class, LLC, a limited liability company, d.b.a. The Challenge - Series ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. Sublandlord and Subtenant entered into that certain month-to-month Sublease dated September 1, 2003 (the "Sublease") for an area on Treasure Island consisting of approximately 19,000 square feet by the southeasterly end of Pier 1 (the "Pier 1 Area"), as shown in the dashed-line area on the map attached as Exhibit B to the Sublease (collectively, the "Premises"). The Parties have previously amended the Sublease to extend the Term to October 31, 2004.

B. Sublandlord and Subtenant wish to extend the maximum term of the Sublease to June 1, 2005.

NOW THEREFORE, Sublandlord and Subtenant hereby agree amend the Sublease as follows:

1. Paragraph 3.1 of the Sublease is hereby amended to read as follows:

"Term of Sublease. The term of this Sublease (the "Term") shall be on a month-to-month basis beginning on September 1, 2003 (the "Commencement Date") ~~not to exceed a total of eight months~~ not to exceed June 1, 2005."

2. Paragraph 4.1 of the Sublease is hereby amended to read as follows:

"Base Rent. Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord base rent in the amount of (i) ~~Three Thousand Eight Hundred Dollars (\$3,800.00)~~ Three Thousand Nine Hundred Fourteen Dollars (\$3,914.00) per month for the Pier 1 Area, and (ii) if Subtenant has properly exercised Subtenant's option to sublease all or any portion of the Land Area, an amount equal to the product of Twenty Cents (\$0.20) times the number of square feet specified in Subtenant's written notice pursuant to Subsection 1.1(b) per month for the portion of the Land Area subleased (each, individually and collectively, are referred to herein as, the "Base Rent"). Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date

occurs on a date other than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Base Rent for such fractional month shall be prorated based on a thirty (30) day month."

3. Except as expressly amended in this Amendment, all other terms and conditions of the Sublease shall remain in full force and effect.

Sublandlord and Subtenant have executed this Sublease in triplicate as of the date first written above.

SUBTENANT:

San Francisco Cup Class, LLC,
a limited liability company

By:

Its: _____

SUBLANDLORD:

Treasure Island Development Authority

By: _____

Its: _____

Approved as to Form:

DENNIS J. HERRERA
City Attorney

Deputy City Attorney





TREASURE ISLAND DEVELOPMENT AUTHORITY

410 AVENUE OF THE PALMS,
BLDG. ONE, 2ND FLOOR, TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660 FAX (415) 274-0299
WWW.SFGOV.ORG/TREASUREISLAND

TREASURE ISLAND DEVELOPEMNT AUTHORITY
City and County of San Francisco

Agenda Item No. 8(e)

January 12, 2005

Subject: Resolution Authorizing the Executive Director to Extend the Use Permit with the San Francisco Museum and Historical Society for Use of a Portion of Building 449 for an Additional One Year Term

Staff Contact: Peter Summerville, 274-0660

SUMMARY OF PROPOSED ACTION

Authorizing the Executive Director to adopt a resolution to extend the Use Permit with the San Francisco Museum and Historical Society (SFMHS) for the use of a portion of Building 449 for one year with a term set to expire January 14, 2006

DISCUSSION

The Use Permit allows for use of a portion of Building 449 by the San Francisco Museum and Historical Society for storage of items and artifacts as well as basic inventory and cataloging activities that may arise. The portion of Building 449 used by the SFMHS is licensed to TIDA by the United States Navy. The Navy retains full use of the rest of Building 449, and there is a secure separation between SFMHS items and Navy items in the building.

Prior to the start of the Use Permit, SFMHS kept items stored in Building 449 through an informal arrangement with the United States Navy. At the request of the Navy, half of Building 449 was licensed to TIDA in order to allow TIDA to grant SFMHS a Use Permit. The purpose of this was in order to provide secure separation between SFMHS items and Navy items in the building. The Use Permit is on a no-cost basis.

The Use Permit was originally executed on July 16th, 2003, and the Board approved a one year extension of the Use Permit at its February 11th, 2004 meeting. The extension currently before the Board would extend the term of the use permit through January 14, 2006.

RECOMMENDATION

Staff recommends approving the resolution and granting a one year extension to the Use Permit with SFMHS for use of a portion of Building 449.

EXHIBITS

A. Second Extension to Use Permit between TIDA and the San Francisco Museum and Historical Society

AUTHORIZING THE EXECUTIVE DIRECTOR TO EXTEND THE USE PERMIT WITH THE
SAN FRANCISCO MUSEUM AND HISTORICAL SOCIETY FOR USE OF A PORTION OF
BUILDING 449 FOR AN ADDITIONAL ONE YEAR TERM

WHEREAS, former Naval Station Treasure Island is a military base located on Treasure Island and Yerba Buena Island (together, the "Base"), which is currently owned by the United States of America ("the Federal Government"); and,

WHEREAS, the Base was selected for closure and disposition by the Base Realignment and Closure Commission in 1993, acting under Public Law 101-510, and its subsequent amendments; and,

WHEREAS, On May 2, 1997, the Board of Supervisors passed Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit corporation known as the Treasure Island Development Authority (the "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the Base for the public interest, convenience, welfare and common benefit of the inhabitants of the City and County of San Francisco; and,

WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968 (the "Act"), the California Legislature (i) designated the Authority as a redevelopment agency under the California Redevelopment Law with authority over the Base upon approval of the City's Board of Supervisors, and (ii) with respect to those portions of the Base which are subject to Tidelands Trust, vested in the Authority the authority to administer the public trust for commerce, navigation and fisheries as to such property; and

WHEREAS, The Tidelands Trust prohibits the sale of trust property into private ownership, generally requires that Tidelands Trust property be accessible to the public and encourages public-oriented uses



of Tidelands Trust property that, among other things, attract people to the waterfront, promote public recreation, protect habitat and preserve open space; and

WHEREAS, Acting under Sections 10 and 12 of the Authority's Rules and Procedures for Transfer of Real Property, adopted March 11, 1998, on July 16, 2003 the Executive Director entered into a month-to-month Use Permit with the San Francisco Museum and Historical Society (SFMHS) for use of a portion of Building 449 for a cumulative term of no more than six months; and

WHEREAS, the Board approved a one year extension of the Use Permit at its regular meeting on February 11, 2004 and;

WHEREAS, the term of the original extension is set to expire on January 14, 2005; and the San Francisco Museum and Historical Society wishes to extend the Use Permit for a portion of Building 449 until January 14, 2006 for storage and inventory purposes; now therefore be it

RESOLVED, That the Authority hereby authorizes the Executive Director to Extend the Use Permit with the San Francisco Museum and Historical Society for Use of a Portion of Building 449 for an Additional One Year Term set to expire January 14, 2006.

CERTIFICATE OF SECRETARY

I hereby certify that I am the duly elected and acting secretary of the Treasure Island Development Authority, a California nonprofit public benefit corporation, and that the above Resolution was duly adopted and approved by the Board of Directors of the Authority at a properly noticed meeting on January 12, 2005.

Susan Po-Rufino, Secretary

SECOND EXTENSION TO

USE PERMIT

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

and

THE SAN FRANCISCO MUSEUM AND HISTORICAL SOCIETY

For the Use of

Portions of Building 449 at
Naval Station Treasure Island
San Francisco, California

January 14, 2005

**SECOND EXTENSION TO
TREASURE ISLAND USE PERMIT**

THIS EXTENSION TO USE PERMIT (the "Extension"), dated as of January 14, 2005, is entered into by and between the Treasure Island Development Authority ("Authority") and the San Francisco Museum and Historical Society ("Permittee"). From time to time, Authority and Permittee together shall be referred to herein as the "Parties".

This Amendment is made with reference to the following facts and circumstances:

- A. On or about July 16, 2003, Authority and Permittee entered into that certain Use Permit agreement (hereafter, the "Permit") for the use of portions of Building 449 on Naval Station Treasure Island, all as shown on Exhibit B of the Permit.
- B. On February 11, 2004, Parties entered into an Extension of the Permit to continue use on a month-to-month basis for an additional twelve months, retroactively from January 14, 2004 and expiring on January 14, 2005
- C. The Parties wish to enter into a Second Extension of the Permit to continue use on a month-to-month basis for an additional twelve months, from January 14, 2005 and to expire on January 14, 2006.

NOW THEREFORE, Sublandlord and Subtenant agree as follows:

- 1. Paragraph 9 of the Permit is hereby amended to extend the Permit for an additional one year, commencing January 14, 2005 and terminating on January 14, 2006.
- 2. The original terms of the Permit are to remain constant through out the term of this extension.

Authority and Permittee have executed this Extension in triplicate as of the date first written above.

PERMITEE:
**SAN FRANCISCO MUSEUM AND
HISTORICAL SOCIETY**

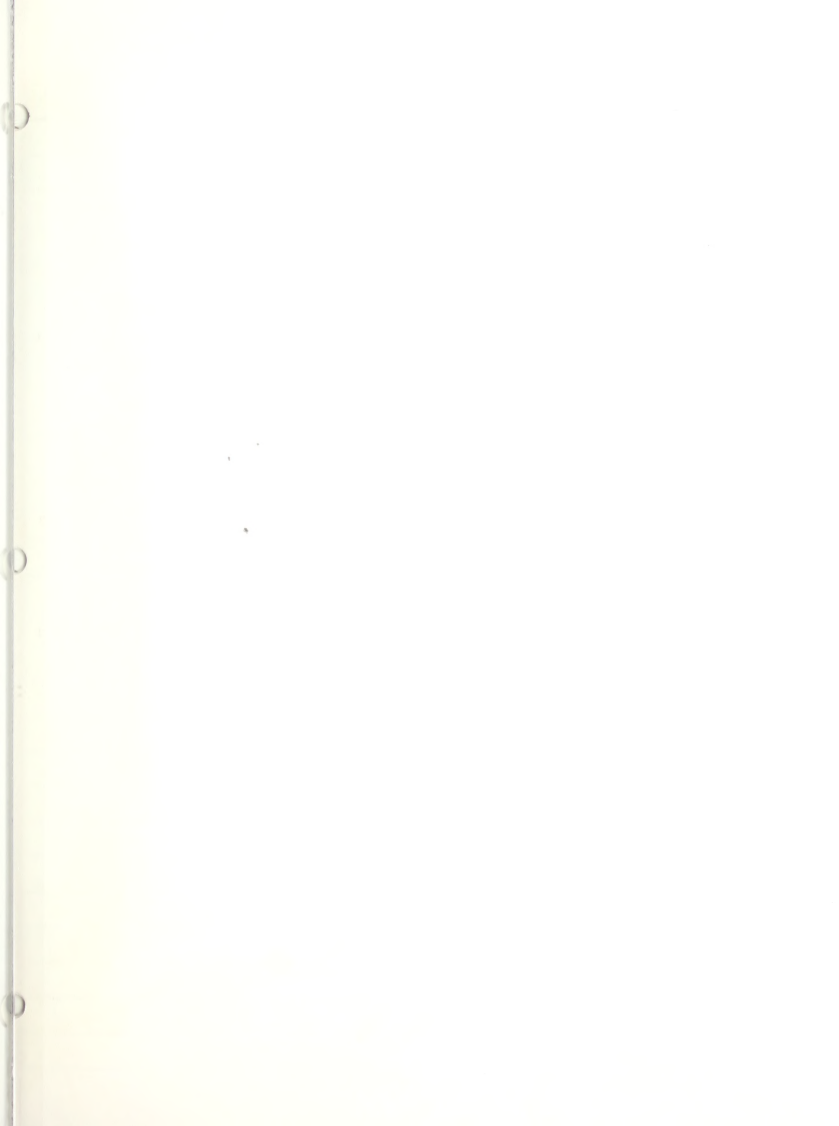
By: _____
Name: Jim Lazarus, Executive Director
Its: San Francisco Museum and Historical Society

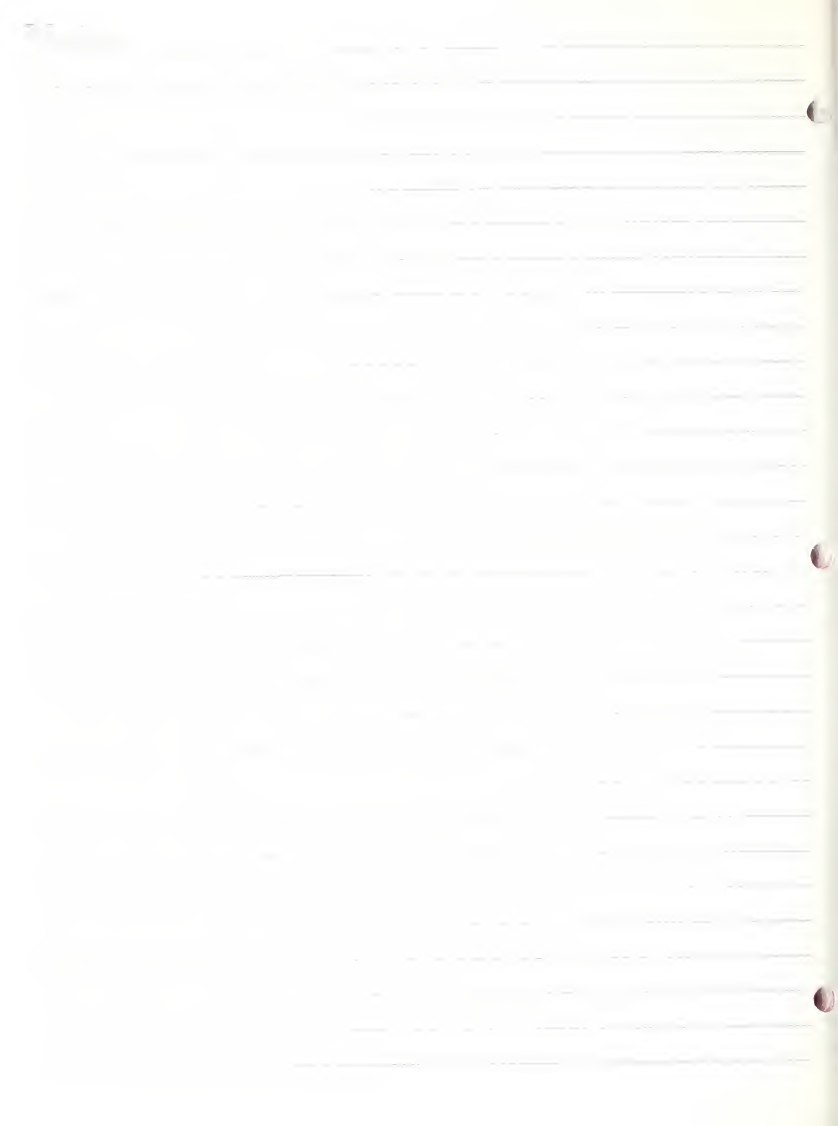
AUTHORITY:
The Treasure Island Development Authority

Tony Hall, Executive Director

Approved as to Form:
DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney





AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Agenda Item No: 9

Meeting Date: January 12, 2005

Subject: Presentation of Draft Infrastructure and Phasing Plan

Staff Contact: Jack Sylvan, Mayor's Office of Base Reuse and Development

BACKGROUND

The Treasure Island Development Authority is under an Exclusive Negotiating Agreement with a prospective master developer, Treasure Island Community Development, LLC (TICD) for the development of former Naval Station Treasure Island. As part of the exclusive negotiations process, staff is engaged in planning and term sheet-level negotiations on several aspects of the redevelopment project. Previously, the Authority Board has received presentations on the land use and open space plan and affordable housing plan. Another key component of the term sheet negotiations is the infrastructure and phasing plan. The master developer's engineering consultants, Korve Engineering, will present an overview of the draft infrastructure and phasing plan and the associated cost estimates at the Authority Board meeting.

This draft infrastructure and phasing plan will be presented to the Treasure Island/Yerba Buena Island Citizen's Advisory Board at its January 11, 2005 meeting.













TREASURE ISLAND DEVELOPMENT AUTHORITY

410 AVENUE OF THE PALMS,
BLDG. ONE, 2ND FLOOR, TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660 FAX (415) 274-0299
WWW.SFGOV.ORG/TREASUREISLAND

TREASURE ISLAND DEVELOPMENT AUTHORITY
REVISED MEETING AGENDA

January 12, 2005 1:30 P.M.

Room 400, City Hall
1 Dr. Carlton B. Goodlett Place

Gavin Newsom, Mayor

DOCUMENTS DEPT.

JAN - 8 2005

DIRECTORS

SAN FRANCISCO
PUBLIC LIBRARY

Claudine Cheng, Chair
Susan Po-Rufino, Vice-Chair
Jared Blumenfeld
John Elberling

William Fazande
Monique Moyer
Marcia Rosen
Supervisor Chris Daly (*ex-officio*)

Tony Hall, Executive Director
Peter Summerville, Commission Secretary

ORDER OF BUSINESS

1. Call to Order and Roll Call
2. Report by the Executive Director (*Discussion Item*)
 - Report on access to Treasure Island including public use last month
 - Report on short-term leases
 - Report on San Francisco-Oakland Bay Bridge/Caltrans issues
 - Report on Treasure Island community issues
 - Legislation/hearings affecting Treasure Island
 - Financial Report
 - Response to Previous Requests for Information by Directors
3. Report by Mayor's Office of Base Reuse and Development (*Discussion Item*)
 - Status of negotiations with U.S. Navy
 - Status of environmental clean up
 - Status of master development planning process

4. Communications (*Discussion Item*)
 5. Report by the Treasure Island/Yerba Buena Island Citizen's Advisory Board (*Discussion Item*)
 6. Ongoing Business by Directors (*Discussion Item*)
 7. General Public Comment (*Discussion Item*) ***In addition to General Public Comment (Item #7), Public Comment will be held during each item on the agenda.***
-

8. CONSENT AGENDA

All matters listed hereunder constitute a Consent Agenda, are considered to be routine by the Treasure Island Development Authority Board and will be acted upon by a single vote of the Authority Board. There will be no separate discussion of these items unless a member of the Authority Board so requests, in which event the matter shall be removed from the Consent Agenda and considered as a separate item.

- a.) Approval of Minutes of December 8, 2004 Meeting (*Action Item*)
 - b.) Resolution Authorizing the Executive Director to Amend the Month-to-Month Sublease for Building 62 with W. Wong Construction Company Inc. to Extend the Term up to December 31, 2005 and Increase the Rent by 3% to \$2060.00 Per Month Beginning January 1, 2005 (*Action Item*)
 - c.) Resolution Authorizing the Executive Director to Amend the Sublease with Island Creative Management Inc. for Building 2 to Extend the Term up to December 31, 2005 and to Increase the Rent by 3% to \$18,540.00 per Month (*Action Item*)
 - d.) Resolution Authorizing the Executive Director to Amend the Sublease with San Francisco Cup Class. LLC for Use of a Portion of Pier One to Extend the Term Through June 1, 2005 and to Increase the Rent by 3% to \$ 3,914.00 per month. (*Action Item*)
 - e.) Resolution Authorizing the Executive Director to Extend the Use Permit with the San Francisco Museum and Historical Society for Use of a Portion of Building 449 for an Additional One Year Term (*Action Item*)
-

9. Presentation of Draft Treasure Island Infrastructure Plan (*Discussion Item*)

POSSIBLE CLOSED SESSION

If approved by the TIDA Board, this Closed Session item will take place for approximately 30 minutes at the end of the meeting

- Public Comment on all items relating to closed session
- Vote on whether to hold closed session to confer with legal counsel. (*Action item*)

10. CONFERENCE WITH REAL PROPERTY NEGOTIATOR
Persons negotiating for the Authority: Tony Hall, Frank Gallagher, Marc McDonald
Persons negotiating with the Authority: Revolution Productions
Property: Building 180, Building 140 (aka Nimitz Conference Center), Approximately 6,326 Square Feet of Office Space in North Wing, Second Floor of Building 1 (aka 410 Palm Avenue); all buildings located on Treasure Island
Under Negotiation: Price___ Terms___ Both X
11. Reconvene in open session (*Action item*)
 - Possible report on action taken in closed session under Agenda Item 10. (Government Code section 54957.1 (a) (2) and San Francisco Administrative Code Section 67.12)
 - Vote to elect whether to disclose any or all discussions held in closed session (*San Francisco Administrative Code Section 67.12*).
12. Authorizing the Executive Director to Execute a Sublease with Rent Productions, LLC for the Nimitz Conference Center, Office Space in Building 1, Building 180 and Related Parking retroactively from January 3, 2005 to July 31, 2005 for \$12,500 per Month for the Filming of the Movie "*Rent*"(*Action Item*)
13. Discussion of Future Agenda Items by Directors (*Discussion Item*)
14. Adjourn

Relevant documents such as resolutions, staff summaries, leases, subleases are available at the Treasure Island Development Authority Office, 410 Avenue of the Palms, Building 1, Treasure Island, and the Government Information Center at the Main Library, 100 Larkin Street. Public comment is taken on each item on the agenda.

Disability Access

The Treasure Island Development Authority holds its regular meetings at San Francisco City Hall. City Hall is accessible to persons using wheelchairs and others with disabilities. Assistive listening devices are available upon request. Agendas are available in large print. Materials in alternative formats and/or American Sign Language interpreters will be made available upon request. Please make your request for alternative format or other accommodations to the Mayor's Office on Disability 554-6789 (V), 554 6799 (TTY) at least 72 hours prior to the meeting to help ensure availability.

The nearest accessible BART station is Civic Center Plaza at the intersection of Market, Grove, and Hyde Streets. The accessible MUNI Metro lines are the J, K, L, M, and N (Civic Center Station or Van Ness Avenue Station). MUNI bus lines serving the area are the 47 Van Ness, 9 San Bruno, and the 6, 7, 71 Haight/ Noriega. Accessible curbside parking is available on 1 Dr. Carlton B. Goodlett Place and Grove Street. For more information about MUNI accessible services, call 923-6142.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based scented products. Please help the City to accommodate these individuals.

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing devices.

Lobbyist Ordinance

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign and Governmental Code 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site <http://www.sfgov.org/ethics/>.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

For more information on your rights under the Sunshine Ordinance [Chapter 67 of the San Francisco Administrative Code] or to report a violation of the ordinance, contact Donna Hall by mail at Sunshine Ordinance Task Force at City Hall, Room 409, 1 Carlton B. Goodlett Place, San Francisco, CA 94102-4683. The Task Force's telephone and fax numbers are (415) 554-7724 and (415) 554-5163 (fax) or by email at Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org/bdsupvrs/sunshine/ordinance.



Notes

Name _____





MANA, ALLISON & ASSOCIATES, INC.

December 17, 2004

Treasure Island Development Authority Board of Directors
410 Avenue of the Palms, 2nd Floor
Treasure Island
San Francisco, CA 94130

Dear Board of Directors,

Since 1987 Mana, Allison & Associates has provided logistical support and event planning services to groups meeting in San Francisco. Our company utilizes the facilities on Treasure Island on a regular bases. Our most important client and, arguably one of the most important companies in the meetings industry, is Carlson Marketing Group.

In May, Carlson is bringing Subaru's 2005 National Dealer Meeting to San Francisco. After several extensive site inspections it was determined that Treasure Island was the most suitable location for Subaru's extensive business activities. To that end, Treasure Island is in receipt of our deposit to secure Building 180 and Building Three from May 13 - 22, 2005.

We initially expressed interest in Treasure Island last September and have tried to contract the facilities for over a month. We were told that a film studio had expressed interest in using some portion of the Island over an extended period. However, the studio has been vague as to what their requirements are and have been unwilling to commit to a contract. Therefore, it was suggested that we send a request for use of the facilities, in writing, along with a good faith deposit. In the meantime, the film studio would be given until December 15th to express, in writing, exactly what portion of the Island they would like to secure. At 4:55p.m. on the 15th the studio sent Treasure Island a one-sentence email stating that they wished to use the Island in some capacity.

I am confident that Treasure Island's event department will concur that the Island's biggest revenue generator is from corporations using the Island for business activities. To be rebuffed so that a film studio can decide to use the Island at their desecration is not good business. This is especially true when the parties being rebuffed are frequent contractors of the Island's facilities.

We have said that we are willing to work with any interested parties to share the use of the Island. The Subaru Dealer Meeting with its 1,300 participants will have a significant economic impact on The City. Planning for the meeting is complicated and arrangements must be made well in advance. It is important that we show Subaru that we appreciate and want their business. I urge you, the Board members, to use your influence to insure that the interests of Subaru are fairly represented.

If you have any questions regarding Subaru's desire to use the Island, please contact me at (415) 474-2266.

Sincerely

Glenn Allison

Managing Director







Island Times

Environmental Investigation and Cleanup News Naval Station Treasure Island

Winter 2004/2005

<http://www.eidsw.navfac.navy.mil/Environmental/TreasureIsland.htm>

ENVIRONMENTAL PROGRAM

This newsletter has been developed to update you about the Department of the Navy's (Navy) environmental program and recent field activities at former Naval Station Treasure Island (NAVSTA TI). NAVSTA TI encompasses both Treasure Island (TI) and Yerba Buena Island (YBI). The Navy established the Installation Restoration (IR) Program in 1981 to investigate and clean up sites under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Environmental investigations and cleanup under the IR Program and other programs began on NAVSTA TI in the mid-1980s and continue today. The Navy has identified 33 IR sites on TI and YBI and is following the regulatory process of investigating and cleaning up each of the sites. Please share this information with members of your family, friends, and representatives from any local organizations that may benefit. Individuals, businesses, and organizations can receive future newsletters by completing and returning the mailing coupon on the back page. We also welcome your comments on the newsletter.

UPDATE ON THE TREASURE ISLAND HOUSING AREA

During the summer and fall of 2003, the Navy conducted investigations throughout the common areas of the Treasure Island (TI) housing area (Site 12). Over 3,000 soil samples were collected and analyzed. A summary of the data was prepared titled "Final Data Summary Report, Site 12 Housing Area Sitewide Investigation, September 9, 2004" and can be found in the Information Repositories. (See Page 7 for the Information Repository locations.)

The results of the investigation were good news for Site 12. The soil samples did not identify any new areas of soil contamination, and support the results of previous soil investigations which indicate that most of the affected soils are limited to known areas from known historical activities. It also helps to validate the interim protective measures taken to date at Site 12 including fencing, signage, and the protectiveness of existing groundcover throughout the TI housing area. As a result, no further soil sampling is planned at this time.

Next Steps: Based on the data collected to date, during 2005 the Navy will be preparing the Site 12 Remedial Investigation (RI) Report which includes a Human Health Risk Assessment (HHRA). This winter the Navy will also be replacing all of the temporary fencing in the TI housing area which restricts access with new, sturdier fencing.

JOIN THE RESTORATION ADVISORY BOARD

The Restoration Advisory Board (RAB) is composed of members of the community who work with the Navy and regulatory agencies to provide input on the environmental restoration at former NAVSTA TI. The RAB is a committee of interested community members who review and comment on Navy documents prepared for the environmental cleanup at NAVSTA TI. Bi-monthly meetings are held to discuss the progress of the IR Program. It is a great opportunity to find out what is going on and to have your voice heard. RAB meetings are held at 7:00 p.m. on the third Tuesday of every other month and are open to everyone. RAB meetings are currently scheduled for December 21, 2004, February 17, 2005, and April 20, 2005. Stop by!

For more information, visit the website at:

<http://www.eidsw.navfac.navy.mil/Environmental/TreasureIsland.htm>

or call James Sullivan at (415) 743-4704.

NEW INVESTIGATION AREAS

The NAVSTA TI Base Realignment and Closure Team has added two new sites to the Navy's Installation Restoration (IR) Program for investigation and cleanup through the CERCLA process. The new sites are Site 32, the Former Training and Storage Area, and Site 33, the Water Line Replacement Area (see the map on page 3). Field sampling under the Environmental Baseline Survey identified contaminants of potential concern in both of these areas. Read on to find out more about these two new sites.

SITE 32 – FORMER TRAINING AND STORAGE AREA



Site 32, the Former Training and Storage Area, is located east of the wastewater treatment plant on Avenue M and includes Buildings 462 and 463. The area was used as a parking lot for vehicles and forklifts, to store hazardous materials and hazardous wastes, as a tear gas training area, and as storage for former training facilities. A concrete pad north of Building 463 formerly held an electrical transformer. The area was designated for investigation to assess the possibility of contamination associated with historical activities and fluid containing polychlorinated biphenyls (PCBs) was known to have been released from the former transformer. Fluid containing PCBs was used as an insulator and lubricant in electrical transformers and their use was banned in 1979.

Preliminary investigations were conducted at the site in April 2003. Soil and groundwater samples were collected, and soil samples from this initial investigation contained PCBs, total petroleum hydrocarbons (TPH) as diesel and motor oil, dioxins, and pesticides. Further investigations were conducted again between September and November 2003 in order to better delineate the contamination and establish the boundaries of the site. None of the contaminants identified in the soil were detected in groundwater above screening levels. Some metals not found in

soil were detected in groundwater. These detections will be evaluated further as this site continues through the CERCLA process. The Navy has begun preparation of the Remedial Investigation report and the draft is scheduled to be complete by spring 2005.

SITE 33 – WATER LINE REPLACEMENT AREA



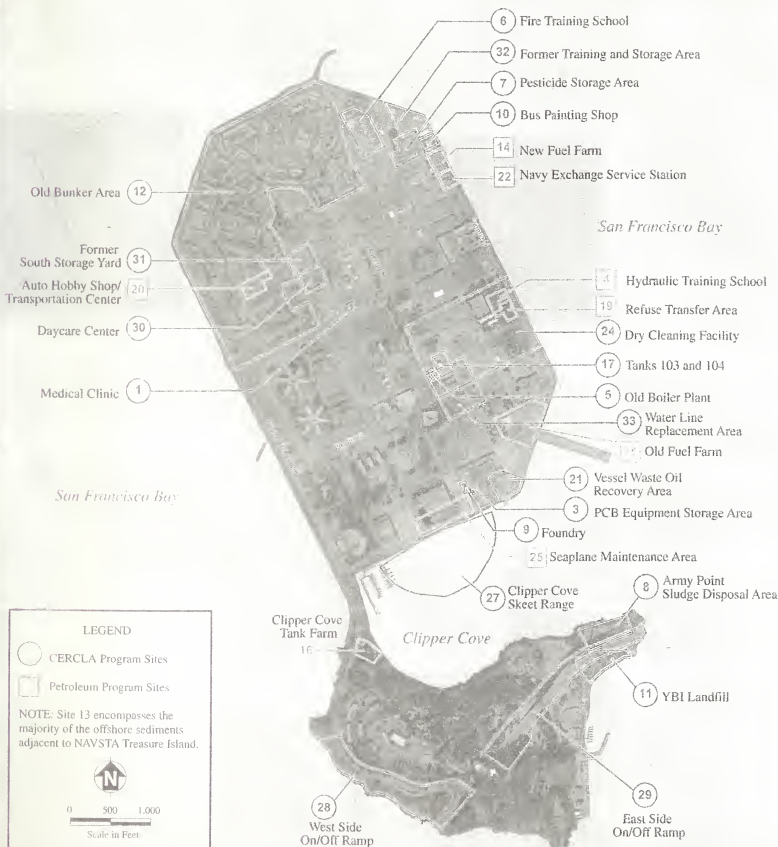
Site 33, the Water Line Replacement Area, is located on the east side of TI, near Avenue H and 4th Street. This site was identified during a review of historical construction drawings. These drawings showed locations where utility crews observed debris in the trenches for the water lines during the replacement project in the 1980s. In addition, areas of debris were identified near Building 530 when a petroleum pipeline was removed. A groundwater investigation is scheduled for spring 2005.

Preliminary investigations were conducted at the site in April 2003 and again between September and November 2003. Soil samples were collected as part of these investigations and were found to contain dioxins and metals in some locations. The site is continuing through the CERCLA process and a draft Remedial Investigation report is scheduled to be complete by summer 2005.

NAVY SIGNS AND FENCES AT TI/YBI

The Navy appreciates the cooperation of tenants and visitors in observing posted signs identifying areas fenced off for your safety in the Westside Drive/Avenue B, Bayside Drive, Northpoint Drive and 13th Street areas, and the rules provided by housing management for do's and don'ts in backyards and common areas. Fencing and signage is also posted at other environmental investigation and cleanup areas on TI and YBI.

NAVSTA TI



NEW TEAM MEMBERS

Jim Whitcomb, Navy Remedial Project Manager

Jim Whitcomb is the newest Naval representative on the NAVSTA TI Base Realignment and Closure [BRAC] Cleanup Team (BCT). Jim is a geologist who joined the team as a remedial project manager in March 2004. He received his Bachelor of Science degree from the Louisiana State University at Baton Rouge, Louisiana. Jim also started his career at Louisiana State University, publishing research material as a wetlands geochemist. His career interests shifted into environmental geology and hydrogeology, and he spent time working for the petrochemical industry on regulatory issues. He then spent 10 years running his own environmental services company.

**Jim Whitcomb**

Jim's responsibilities on the team at NAVSTA TI include overseeing select basewide programs, such as asbestos abatement and historical radiological investigations, as well as the remedial investigation for Site 12.

This isn't the first time Jim has worked for the Navy. He served his first enlisted tour of duty as a sonar man on the USS Charles F Adams DDG-2 from 1979 to 1982.

"I'm pleased to be working for the Navy again, this time as a remedial project manager," says Jim. "Working with the dedicated BCT members toward a common goal of preparing NAVSTA TI for eventual transfer back to the public is very satisfying."

Jim knows the job of environmental investigation and remediation isn't an easy one. "The main challenge is pulling together the tremendous amount of environmental data and observations collected over the years and determining what the data mean and what would be the best and most appropriate solutions for the environmental concerns encountered," he said.

Jim's office is located in San Diego. In his spare time, he and his wife Raquel enjoy exploring the local and California geology. He also enjoys photography and writing computer software for handheld computers. Welcome, Jim!

Alan Friedman, Regional Water Quality Control Board Remedial Project Manager

Alan Friedman is the newest regulatory representative on the NAVSTA TI BCT. Alan has been with the Regional Water Quality Control Board (Water Board) for eighteen years, but just recently joined the NAVSTA TI project as a Remedial Project Manager, representing the Water Board.

Alan earned his B.S. degree in chemical engineering from Case Western Reserve University in Cleveland, Ohio. He then attended New York State University College of Environmental Science and Forestry, where he earned an M.S. in environmental science. During his eighteen years with the Water Board Alan has had many responsibilities, including regulating surface water discharge from municipalities, spill and complaint response, and landfill monitoring. He is now working with military facilities, including NAVSTA TI.

**Alan Friedman**

Alan's responsibilities on NAVSTA TI include oversight of the basewide groundwater and surface water investigations and monitoring. He noted that there is a long and rich history of activity and investigation at NAVSTA TI, and it will be challenging to get up to speed on all of the information. When asked what he likes best about the NAVSTA TI project, Alan responded that, while he is accustomed to working with teams, "base closure is more organized and systematic, bringing together project managers, regulatory agencies, and the military. Instead of working as adversaries, we work collaboratively. It has the potential to be very useful."

Alan's office is located in Oakland, and he lives in the East Bay with his wife and their two-year-old son. In fact, running around with his son keeps him quite busy! When he has the time, Alan enjoys outdoor activities like running, skiing, and hiking. He also enjoys playing the piano and sings in a local choir. Welcome, Alan!

TI/YBI HISTORICAL FACT QUESTION

What do Treasure Island and Hollywood have in common?

See answer on page 6.

WHAT IS THE STATUS OF PROPERTY TRANSFER?

The Navy is continuing to work on environmental activities related to the transfer of property at TI and YBI from the Navy to the Treasure Island Development Authority (TIDA), including discussions on an early transfer. During 2005 the Navy will be preparing Findings of Suitability to Transfer (FOSTs) for portions of property on TI and YBI where CERCLA cleanup actions are not required. Drafts of the FOSTs will be made available for public review. Actual transfer will occur at a future date following completion of a property conveyance agreement between the Navy and TIDA.

HISTORICAL RADIOLOGICAL ASSESSMENT UNDERWAY

In an effort to verify and document all the information about historic radiological activities at the former Naval Station, the Navy is currently conducting a base-wide Historical Radiological Assessment (HRA). The Navy issued Fact Sheet No. 1 on November 18, 2004. It is also available on the Navy web site. Regular updates on the progress of the HRA will be given at the Navy's Restoration Advisory Board meetings, and the document is planned to be final in fall 2005. For further information, please contact Mr. Jim Whitcomb, Navy remedial project manager (619) 532-0936.

LEAD-IMPACTED SOIL REMOVAL ON YERBA BUENA ISLAND

The Navy has been conducting lead-based paint (LBP) investigations and remediation work at the historic officers quarters (Quarters 1 through 7) on Yerba Buena Island (YBI). These historic buildings were constructed between 1900 and 1903 as Naval Officer housing for the original Naval Training Station on YBI. Contamination is from exterior paint that may have flaked or weathered from rain. Based on sampling following Housing and Urban Development guidelines, LBP contamination was identified along what is called the "drip line", anywhere from three to five feet around the buildings. In addition, due to the numerous tiered planter areas surrounding Quarters 3, 4, and 5, lead-impacted soil was excavated up to 20 feet from these buildings. Further releases of LBP to the soil have been halted by the use of encapsulating paint over all of the paint surfaces to prevent further flaking and weathering.

Quarters 1 through 7 have many planter boxes in the drip line area, so the Navy began by working with a State Historic Preservation Officer to determine the uniqueness of the landscape in order to preserve the planter boxes if possible. In addition, the Navy brought in an arborist to determine the health of the vegetation. Most of the larger plants were removed because they were in poor condition. Plants that were removed will be replaced with like plants when the environmental work is completed.

Clearing and removal of vegetation was completed in late July 2004, and excavation efforts then began. Due to limited working space and to avoid disturbing historic brick walls, the Navy conducted a great deal of hand digging. Initially, excavation and investigation included removing two feet of soil below ground surface. Confirmation samples were then collected to determine whether the contaminated soil had been removed or if another 1-foot of soil would need to be removed. This process continued until samples showed no elevated concentrations of lead, or until a hardscape, such as a sidewalk or road was reached.

Currently, the Navy is working with the regulatory agencies to determine whether further investigation and remediation is necessary.



Avenue of the Palms on Treasure Island

POLYCHLORINATED BIPHENYLS (PCB) INVESTIGATION

An inventory was initiated at NAVSTA TI for electrical equipment, such as high-voltage transformers, that held fluid that may contain PCBs. Fluid containing PCBs was used as an insulator and lubricant in electrical transformers and their use was banned in 1979. Transformers were evaluated to identify the potential for PCBs, and several transformers identified as containing PCB fluids were removed between 1995 and 1996. A 1995 environmental survey documented spills and stains that may be related to fluid containing PCBs. The Navy conducted an additional evaluation by reviewing aerial photographs and historical information on the use of the buildings.

Earlier this year, in an effort to support the Finding of Suitability to Transfer (FOST), the Navy investigated all historical potential PCB-containing electrical equipment within the FOST areas. Of the more than 200 locations sampled within the FOST areas, only six had detections above the Navy's proposed screening levels. The Navy and regulatory agencies are currently working collaboratively to evaluate the data and schedule additional cleanup activities. Outside of the FOST areas, sampling was conducted where current or former possible PCB-containing equipment was located and had observable staining or evidence of potential equipment leaks. Results of the investigations are being evaluated and will be documented in the PCB Summary Report to be finalized in early 2005.

ACCOMPLISHMENTS UNDER THE PETROLEUM PROGRAM

In addition to the CERCLA Program, the IR Program includes investigation and cleanup of sites with petroleum contamination from historical uses such as fueling stations, vehicle maintenance areas, a firefighter training area, and an auto hobby shop. Petroleum contamination at NAVSTA TI is primarily from fuel lines and underground storage tanks (USTs). The Navy has addressed 95 percent of the petroleum contamination at TI and YBI. The remaining 5 percent is scheduled to be complete in 2005. The following is a brief overview of the cleanup accomplishments under the Petroleum Program:

- More than 13,000 linear feet of fuel distribution pipeline have been removed
- More than 750 linear feet of fuel distribution pipeline have been closed in place

- At least 50,000 tons of petroleum-contaminated soil have been excavated and replaced with clean fill
- 47 UST closures have been completed for known leaking and nonleaking tanks
- 7 UST closures have been completed for suspected tanks (that may have existed but were removed or previously abandoned)
- 16 UST closures have been completed for previously suspected tanks (once thought to have existed, but through research and investigation now believed to have never existed)
- 11 fuel pipeline site closures have been achieved

STREAMLINING THE BASE REALIGNMENT AND CLOSURE OFFICE

In an effort to improve the base closure process for closed Navy and Marine Corps facilities, the Navy has moved the Base Realignment and Closure (BRAC) Operations Department out from the Naval Facilities Engineering Command to directly under the Assistant Secretary of the Navy for Installations and the Environment. This move will ensure the highest level of Navy involvement in all areas of BRAC operations and streamline Navy organizations involved in the process. The new office is known as the BRAC Program Management Office (PMO), and the San Diego office responsible for TI/YBI is BRAC PMO West. The organizational change went into effect on October 1, 2004.

TI/YBI HISTORICAL FACT ANSWER

Movies are made in both places. Even before the Naval Station closed in 1997, the Navy and the City agreed to lease space in former warehouse and hangar buildings for movie production. Movies shot on TI since the mid-1990's have included *Jade*, *Copycat*, *James and the Giant Peach*, *Flubber*, *Bicentennial Man*, *Patch Adams*, *What Dreams May Come*, *Merro*, *the Hulk* and the *Nash Bridges* television series. Other films and commercials have also used TI and YBI as a backdrop. Earlier, while the base was operational, the Administration Building 1 served as Berlin Airport for a brief scene in *Indiana Jones and the Last Crusade*.



BRAC CLEANUP TEAM CONTACT LIST

Name/Title	Organization	Phone/Fax	Address	E-mail
James Sullivan BRAC Environmental Coordinator	Navy BRAC Program Management Office West	(619) 532-0966 (415) 743-4704 Fax: (619) 532-0983	1230 Columbia St. Suite 1100 San Diego, CA 92101	james.b.sullivan2@navy.mil
La Rae Landers Lead Remedial Project Manager	Navy BRAC Program Management Office West	(619) 532-0970 Fax: (619) 532-0983	1230 Columbia St. Suite 1100 San Diego, CA 92101	larae.landern@navy.mil
David Rist Remedial Project Manager	California EPA Department of Toxic Substances Control	(510) 540-3763 Fax: (510) 849-5285	700 Heinz Ave. Suite 200 Berkeley, CA 94710	drist@dtsc.ca.gov
Alan Friedman Remedial Project Manager	California EPA Department of Toxic Substances Control	(510) 622-2347 Fax: (510) 622-2460	1515 Clay St. Suite 1400 Oakland, CA 94612	afriedman@waterboards.ca.gov

INFORMATION REPOSITORY

The following information repositories are provided for the community to review current documents related to environmental cleanup activities at NAVSTA TI:

Department of the Navy
Navy BRAC Program Management Office West
410 Palm Avenue, Building 1, Room 161
Treasure Island, San Francisco, California
(415) 743-4704
Monday - Friday
8:30 a.m. to 4:30 p.m.

San Francisco Public Library
Government Publications Section
100 Larkin Street, San Francisco, California
(415) 557-4400
Monday - 10:00 a.m. to 6 p.m.
T/W/Th. - 9:00 a.m. to 8:00 p.m.
Friday - noon to 6:00 p.m.
Saturday - 10:00 a.m. to 6:00 p.m.
Sunday - noon to 5:00 p.m.



NAVSTA TI entrance and Building 1



View of Building 1 from San Francisco

Mailing Coupon

If you would like to be added to the TI/YBI mailing list and receive copies of future newsletters and fact sheets, please fill out the coupon below and mail it to:

James Sullivan
Navy BRAC Program Management Office West
410 Palm Avenue
Room 161, Building 1
Treasure Island, San Francisco, CA 94130-1806

Name _____

Address _____

City _____ State _____ Zip _____

E-mail Address _____

ADD MY NAME TO THE MAILING LIST ☐ DELETE MY NAME FROM THE MAILING LIST ☐



James Sullivan
Navy BRAC Program Management Office West
410 Palm Avenue
Room 161, Building 1
Treasure Island
San Francisco, CA 94130-1806



Peter Summerville
Commission Secretary, Webmaster
Treasure Island Development Authority
410 Avenue of Palms, Building 1, 2nd Floor
Treasure Island
San Francisco, CA 94130



CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CITY ATTORNEY



DENNIS J. HERRERA
City Attorney

DIRECT DIAL: (415) 554-4748
E-MAIL: gloria.smith@sfgov.org

January 5, 2005



Tony Hall
Executive Director
Treasure Island Development Authority
410 Avenue of Palms
Treasure Island
San Francisco, CA 94130

Re: Representation of Treasure Island Development Authority (TIDA) in
Connection with Sublease Negotiations for the Filming of the Movie *Rent*

Dear Mr. Hall:

I write in response to a letter that came to my attention, dated January 4, 2005 and addressed to the TIDA Board, in which you assert that this Office has a conflict of interest and that the TIDA Board may need to consider retaining outside counsel in connection with the drafting of a proposed sublease.

I want to assure you that this Office does not have conflict of interest in representing TIDA and that TIDA is well-represented by this Office.

As you know, TIDA and the City share a unique, interdependent, and cooperative relationship. Although TIDA is a separate legal entity, it exists to perform certain functions exclusively for the City and the territory over which it has jurisdiction is entirely within the City. Indeed, it was formed to consolidate otherwise overlapping agencies in the City – namely the City's Port and the San Francisco Redevelopment Agency – in one agency focused on redevelopment of the former naval base. The City established TIDA for this purpose and controls its board. The City Resolution that established TIDA under the State authorizing legislation specified that the City Attorney would be the legal counsel for TIDA.

I have devoted a deputy to representing TIDA. That attorney has significant experience with the laws and regulations governing TIDA. TIDA can have confidential communications with that attorney, who takes instructions regarding TIDA work assignments from TIDA, and as far as I am aware, you are satisfied with his representation of TIDA. As to this matter, we have separate deputies assigned to the City's Film Commission, which is negotiating agreements with TIDA and the film studio, and TIDA confidential conversations are not shared with those

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CITY ATTORNEY

Letter to Tony Hall
Page 2
January 5, 2005

deputies or any deputy supervising them. This arrangement is similar to arrangements we make in other circumstances where the law assigns us as counsel to an entity that while technically separate, has overlapping jurisdiction and an interdependent relationship with the City.

The issue that you mention in your letter – that you were presented with a term sheet that differed from the one you presented to the City – does not reflect a conflict of interest on the part of my office or demonstrate that TIDA's interests are being inadequately represented by its counsel. It simply reflects disagreement between the City and TIDA over policy and business issues. If TIDA disagrees with the term sheet, it can inform the City negotiators of that fact. City and TIDA personnel are fully capable of negotiating over business and policy differences without hiring additional counsel.

I hope this addresses the issues you raised. If you have further questions, I am happy to discuss this matter with you.

Very truly yours,



DENNIS J. HERRERA
City Attorney

cc: TIDA Board of Directors
Steve Kawa













TREASURE ISLAND DEVELOPEMNT AUTHORITY
City and County of San Francisco

Agenda Item No. 8(b)

January 12, 2005

Subject: Resolution Authorizing the Executive Director to Amend the Month-to-Month Sublease for Building 62 with W. Wong Construction Company Inc. to Extend the Term up to December 31, 2005 and Increase the Rent by 3% to \$2060.00 Per Month Beginning January 1, 2005

Staff Contact: Frishtah Afifi, 274-0660, Project Coordinator

SUMMARY OF PROPOSED ACTION

Staff requests the Authority to adopt a resolution to amend the month-to-month sublease with W Wong Construction for the use of Building 62, retroactive to October 15, 2004, to extend the term up to December 31, 2005, and to increase the rent by 3%, W Wong Construction pay approximately \$0.41 per square foot and the rent for the facility will be \$2,060 per month.

BACKGROUND MATERIAL

On July 1, 1999, the Authority executed a month-to-month sublease with W. Wong Construction for the use of Building 62 on Treasure Island. Pursuant to the Authority's policy for real property disposition, the Authority approved six month extensions to sublease on February 9, 2000 and September 13, 2000. On March 29, 2001 and February 13, 2002, the Authority approved additional one year extensions of the sublease. On October 9, 2003, the Authority Board of Directors approved an extension of the month-to-month term of the Sublease retroactively from March 1, 2003 until October 15, 2004. On October 15, 2004, the current extension of the sublease expired, and the lease has been in hold over status since that time. The resolution under consideration by the Authority Board would extend the term of the month-to-month sublease up to December 31, 2005, and the action would apply retroactively to October 15, 2004, and increase the rent by 3% to \$2,060.00 per month.

The sublease provides for use of a portion of Building 62 by W Wong Construction for storage of office-related equipment, files, and records and for no other purpose. The subtenant does not permit any persons to enter or occupy the premises, except for periodic access to the materials stored in the premises, as provided in section 6.2 of the Sublease. The current monthly base rent for the facility is two thousand dollars (\$2,000.00). Staff recommends a 3% rental increase which will be approximately \$0.41 per square foot and the rent for the facility will be \$2,060 per month.

RECOMMENDATION

Staff recommends approval of the Authority to amend the month-to-month sublease with W Wong Construction, to extend its term retroactive from October 15, 2003, up to December 31, 2005, and to increase the Base Rent by 3% to \$2,060.00 per month. Further continuation of the sublease beyond December 31, 2005 would require additional Authority approval.

EXHIBITS

- A. 2004/2005 Amendment to Sublease between W. Wong Construction and TIDA

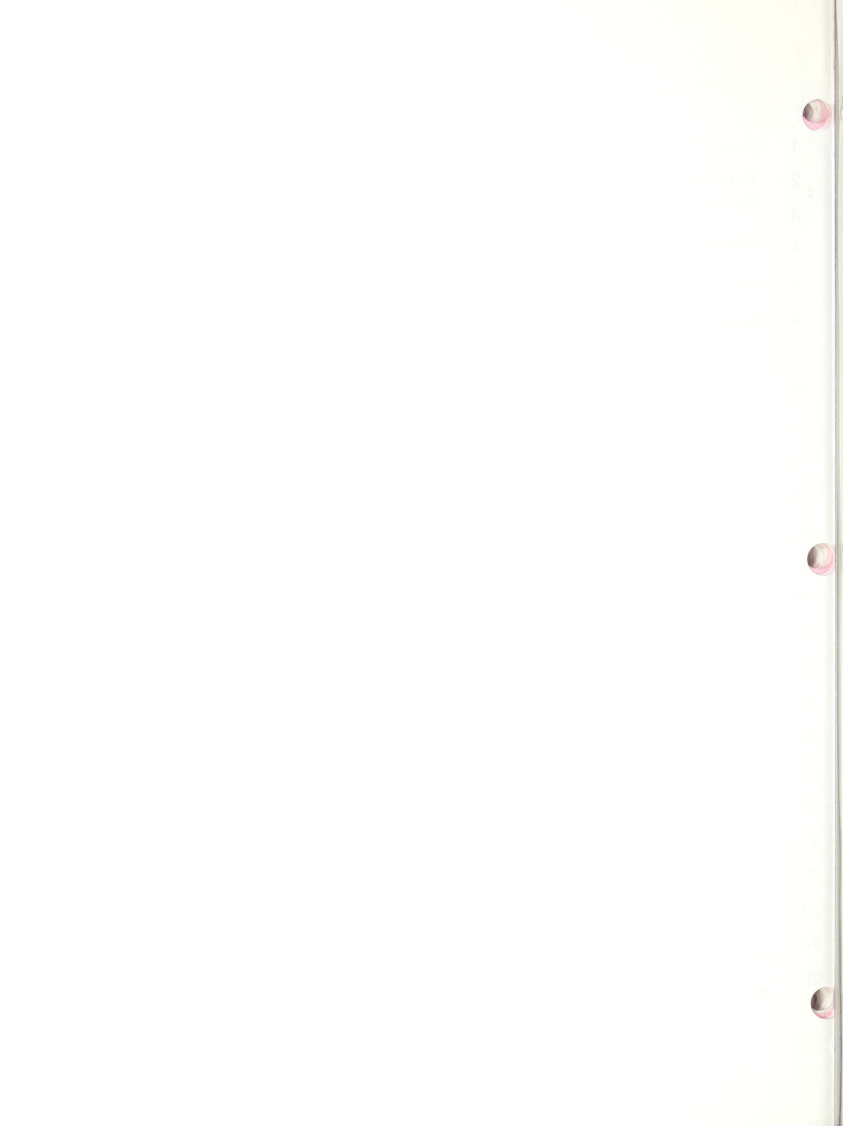
[Amending the Month-to-Month Sublease with W. Wong Construction Company Inc. for Building 62 to extend the term and increase the rent.]
Resolution Authorizing The Executive Director To Amend the Month-to-Month The Sublease For Building 62 With W. Wong Construction Company Inc. to Extend the term up to December 31, 2005 And Increase The Rent By 3% To \$2060.00 Per Month beginning January 1, 2005.

WHEREAS, On July 1, 1999, the Authority's Executive Director, acting under Section 10 of the Authority's Rules and Procedures for the Transfer and Use of Real Property, adopted by the Authority on March 11, 1998 (the "Transfer Rules"), entered into a month-to-month sublease (the "Sublease"), a copy of which is attached hereto as Exhibit A, with W. Wong Construction Inc. ("Subtenant") for the use of a portion of Building 62 (the "Premises") for the storage of files and records and office related equipment, at a rental rate of Two Thousand Dollars (\$2,060.00) per month; and,

WHEREAS, Under Section 10 of the Transfer Rules, even a month-to-month sublease has to be separately approved by the Authority if the cumulative term of such sublease exceeds six months; and,

WHEREAS, On February 9, 2000 and September 13, 2000, the Authority approved and authorized the continuation of the Sublease on a month-to-month basis for another six months; and,

WHEREAS, On March 29, 2001 and on February 13, 2002, the Authority approved and authorized the continuation of the Sublease on a month-to-month basis for a twelve month periods; and,



1 **WHEREAS**, On October 9, 2003, the Authority Board of Directors approved an
2 extension of the month-to-month term of the Sublease retroactively from March 1, 2003 until
3 October 15, 2004; and,

4 **WHEREAS**, The Subtenant wishes to continue occupancy of the Premises for an
5 additional 12 months, and the Authority staff is recommending such an extension at an
6 increased rental rate of 3% to \$2060.00 per month; now therefore be it

7 **RESOLVED:** That the Authority hereby approves and authorizes Executive Director to
8 execute an amendment to the Sublease on a month-to-month basis in substantially the form
9 attached hereto as Exhibit A, retroactive to October 15, 2004, and which will not exceed
10 December 31, 2005, provided that nothing herein shall limit the Authority's ability to terminate
11 the Sublease on thirty days notice as provided in the Sublease
12

13
14
15 **CERTIFICATE OF SECRETARY**

16
17 I hereby certify that I am the duly elected and acting Secretary of the Treasure
18 Island Development Authority, a California nonprofit public benefit corporation, and
19 that the above Resolution was duly adopted and approved by the Board of Directors
20 of the Authority at a properly noticed meeting on January 12, 2005.
21

22
23 _____
24 Susan Po-Rufino, Secretary
25

**2004/2005 AMENDMENT TO
SUBLEASE**

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

**W Wong Construction Co., Inc.
as Subtenant**

For the Sublease of

**Building 62 at Treasure Island Naval Station
San Francisco, California**

December 8, 2004

**2004/2005 AMENDMENT TO
TREASURE ISLAND SUBLEASE**

THIS 2004/2005 AMENDMENT TO SUBLEASE (the "Amendment"), dated for reference purposes only as of December 8, 2004, is by and between the Treasure Island Development Authority ("Sublandlord" or "Authority") and W. Wong Construction Co., Inc., a California corporation ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. On July 1, 1999, the Authority entered into a month-to-month sublease (the "Sublease") with Subtenant for the use of Building 62 on Treasure Island. Under the Sublease, the month-to-month term could not exceed six months. The Board of Directors of the Authority approved six month extensions of that maximum term on February 9, 2000 and September 13, 2000. On March 29, 2001 and February 13, 2002, the Authority Board of Directors approved one year extensions of the month-to-month term of the Sublease. On October 9, 2003, the Authority Board of Directors approved an extension of the month-to-month term of the Sublease retroactively from March 1, 2003 until October 15, 2004.

B. The Parties wish to further extend the month-to-month term of the Sublease to December 31, 2005 by this Amendment.

NOW THEREFORE, Sublandlord and Subtenant hereby agree amend the Sublease as follows:

1. Paragraph 3.1 of the Sublease is hereby amended to read as follows:

3.1 Term of Sublease. The term of this Sublease shall commence on July 1, 1999 (the "Commencement Date") and continue on a month-to-month basis until either party elects, in its respective sole and absolute discretion, to terminate this Sublease by giving the other party at least thirty (30) days written notice, unless sooner terminated pursuant to the terms of this Sublease. Notwithstanding the foregoing, the Sublease shall not extend beyond ~~January 1, 2000~~ December 31, 2005 and Subtenant may not hold over or otherwise occupy the Premises beyond such date."

2. Paragraph 4.1 of the Sublease is hereby amended to read as follows:

"Base Rent. Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord ~~Two Thousand Dollars (\$2000.00)~~ Two Thousand Sixty Dollars (\$2060.00) per month (the "Base Rent"). Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date occurs on a date other

than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Base Rent for such fractional month shall prorated based on a thirty (30) day month."

3. Except as expressly amended herein, all other terms and conditions of the Sublease shall remain in full force and effect.

Sublandlord and Subtenant have executed this Amendment in triplicate as of the date first written above.

SUBTENANT:

W. Wong Construction Co., Inc.,
a California Corporation

By: _____

Its: _____

Date: _____

SUBLANDLORD:

The Treasure Island Authority

By: _____

Its: _____

Date: _____

Approved as to Form:

DENNIS J. HERRERA,
City Attorney

By: _____

Deputy City Attorney

AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Agenda Item No. 8 (c)

Meeting of January 12, 2005

Subject: Resolution Authorizing the Executive Director
To Amend the Sublease with Island Creative
Management for Building 2 to Extend the Term up to December 31, 2005
and to increase the Rent by 3% to \$18,540.00 per month

Contact/Phone: Frishtah Afifi, Project Coordinator
274-0660

SUMMARY OF PROPOSED ACTION

This item seeks the approval of the Authority to enter into the Second Amendment to the interim sublease with Island Creative for use of Hanger 2 to extend the term up to December 31, 2005 and to increase the rent by 3%. Island Creative will be paying approximately \$0.13 per square foot and rent for the facility will be \$18,540 per month.

BACKGROUND

On September 1, 1999, the Authority executed a sublease with the Island Creative Management (Island Creative) to use Building 99 to build sets for television, film production, and special events. On December 31, 2002, the Authority executed a new sublease with the Island Creative that involved relocation to Building 2, one of the historic hangars on Treasure Island. The relocation provided Island Creative additional space for their operation and allowed the Navy to conduct environmental remediation activities in Building 99, where Island Creative was located. The term of the Building 2 sublease was for 12 months and rent was set at \$18,000 per month. On May 12, 2004 the Authority Board of Directors authorized an additional extension of the sublease to December 31, 2004.

Island Creative has indicated a desire to continue subleasing Building 2 and staff is seeking Authority approval to execute a Second Amendment extending the term of the sublease through December 31, 2005. As of January 1, 2005 with the 3% increased rental rate, Island Creative will be paying approximately \$0.13 per square foot and the rent for the facility will be \$18,540 per month. All other terms and conditions of the Sublease remain the same.

RECOMMENDATION

Staff recommends approval of the resolution authorizing the Executive Director to execute the Second Amendment to the Sublease for Building 2 with Island Creative Management.

EXHIBITS

A Second Amendment to Sublease Between Island Creative Management and TIDA

1 [Authorizing Second Amendment to Sublease with Island Creative Management, Inc. for
2 Building 2]
3 **Authorizing The Executive Director To Amend The Sublease With Island Creative**
4 **Management Inc. For Building 2 to Extend The Term up to December 31, 2005 And to**
5 **Increase The Rent By 3% To \$18,540.00 Per Month Per Month.**

6
7 **WHEREAS**, On May 2, 1997, the Board of Supervisors (the "Board") passed
8 Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a
9 nonprofit public benefit corporation known as the Treasure Island Development Authority (the
10 "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction,
11 rehabilitation, reuse and conversion of former Naval Station Treasure Island (the "Base") for
12 the public interest, convenience, welfare and common benefit of the inhabitants of the City
13 and County of San Francisco; and,

14 **WHEREAS**, Under the Treasure Island Conversion Act of 1997, which amended
15 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
16 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority
17 as a redevelopment agency under California redevelopment law with authority over the Base
18 upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the
19 Base which are subject to the Tidelands Trust, vested in the Authority the authority to
20 administer the public trust for commerce, navigation and fisheries as to such property; and,

21 **WHEREAS**, The Tidelands Trust prohibits the sale of trust property into private
22 ownership, generally requires that Tidelands Trust property be accessible to the public and
23 encourages public-oriented uses of trust property that, among other things, attract people to
24 the waterfront, promote public recreation, protect habitat and preserve open space; and,
25

1 **WHEREAS**, In order to facilitate productive reuse of the Base, it may be beneficial for
2 the Authority to lease or license property from the Navy and, in turn, sublease or sublicense
3 such property to third-parties or use such property for municipal purposes; and,

4 **WHEREAS**, On September 1, 1999, the Authority's Executive Director entered into a
5 month-to-month sublease (the "Original Sublease") with Island Creative Management Inc.
6 ("Subtenant") for the use of a portion of Building 99 (the "Initial Premises") for the building of
7 sets used in television and film production; and,

8 **WHEREAS**, The Navy informed the Authority that environmental remediation activities
9 needed to be conducted in and near Building 99 and it was desirable to have that facility
10 unoccupied at the time those activities were scheduled to occur, and on December 31, 2002,
11 the Authority and Subtenant entered into a new sublease for Building 2; and,

12 **WHEREAS**, On May 12, 2004 the Authority Board of Directors authorized extending
13 the term of the sublease for Building 2 to December 31, 2004; and,

14 **WHEREAS**, Island Creative Management has expressed a desire to continue
15 operations in Building 2, and Authority staff recommend such an extension at a 3% increase
16 in the monthly rental rate to \$18,540.00 per month; now therefore be it

17 **RESOLVED**, That the Board of Directors hereby authorizes the Executive Director to
18 execute a Second Amendment to the Sublease with Island Creative Management, retroactive
19 to December 31, 2004, for use of Building 2 in substantially the form attached as Exhibit A to
20 extend the term up to December 31, 2005 and increase the monthly rental rate by 3% to
21 \$18,540.00 per month, provided that nothing herein shall limit the Authority's ability to
22 terminate the Sublease on thirty days notice as provided in the Sublease.;
23
24
25



1
2
3
4 CERTIFICATE OF SECRETARY
5

6 I hereby certify that I am the duly elected and acting Secretary of the Treasure
7 Island Development Authority, a California nonprofit public benefit corporation, and
8 that the above Resolution was duly adopted and approved by the Board of Directors
9 of the Authority at a properly noticed meeting on January 12, 2005.
10

11 _____
12 Susan Po-Rufino,
13 Secretary
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SECOND AMENDMENT TO SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

ISLAND CREATIVE MANAGEMENT LLC

as Subtenant

For the Sublease of

Building 2 at Naval Station Treasure Island
San Francisco, California

December 8, 2004

**SECOND AMENDMENT TO
TREASURE ISLAND SUBLEASE**

THIS SECOND AMENDMENT TO SUBLEASE (the "Second Amendment"), dated as of this ____ of December 8, 2004, is by and between the Treasure Island Development Authority ("Sublandlord") and Island Creative Management, a Limited Liability Corporation ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. On December 30 2002, the Parties entered into that certain Sublease (the "Sublease") whereby Sublandlord subleased to Subtenant Building 2, together with a non-exclusive right to use certain parking areas adjacent thereto, all as more particularly shown on the map attached to the Sublease as Exhibit B (the "Premises").

B. On May 12, 2004, the Parties amended the Sublease (the "First Amendment") by extending the term of thereof up to December 31, 2004 on the same terms and conditions contained in the Sublease. The Sublease and the First Amendment are collectively referred to herein as the "Original Sublease."

C. On January 12, 2005, the Authority's Board of Directors authorized the Executive Director to enter into this Second Amendment.

NOW THEREFORE, Sublandlord and Subtenant hereby agree as follows:

1. Paragraph 3.1 of the Original Sublease is hereby amended to read as follows:

"Term of Sublease. The term of this Sublease (the "Term") shall commence on December 31, 2002 (the "Commencement Date") and continue on a month-to-month basis not to exceed December 31, 2005 ~~December 31, 2004~~. Either Party may, in its sole discretion, terminate this Sublease by giving thirty (30) days prior written notice to the other Party. Subtenant hereby acknowledges that the underlying Master Lease with the Navy currently is scheduled to terminate on December 1, 2004, and that Sublandlord anticipates but cannot guarantee that the Navy will extend the term of such Master Lease beyond the date of December 1, 2004. In the event that the Navy refuses to extend the term of the Master Lease, Subtenant agrees that this Sublease shall terminate upon the termination of the Master Lease.

2. Paragraph 4.1 of the Original Sublease is hereby amended to read as follows:

"Base Rent. Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord base rent in the amount of Eighteen Thousand Dollars (\$18,000) per month (the "Base Rent"). Beginning on January 1, 2005, Base Rent shall be Eighteen Thousand Five Hundred Forty Dollars (\$18,540.00) per month. Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or

counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date occurs on a date other than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Base Rent for such fractional month shall prorated based on a thirty (30) day month."

3. Except as expressly amended in this Amendment, all other terms and conditions of the Sublease shall remain in full force and effect.

Sublandlord and Subtenant have executed this Amendment in triplicate as of the date first written above.

SUBTENANT:

**Island Creative Management,
a Limited Liability Corporation**

By: _____

Its: _____

SUBLANDLORD:

Treasure Island Development Authority

By: _____

Its: _____

Approved as to Form:

DENNIS J. HERRERA,
City Attorney

By _____
Deputy City Attorney

AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Agenda No: 8(d)

Meeting Date: January 12, 2005

Subject: Resolution Authorizing the Executive Director to Extend the Term of the Sublease with San Francisco Cup Class, LLC for use of a portion of Pier One Through June 1, 2005 and increase the rent by 3% to \$ 3,914.00 per month. (Action Item)

Staff Contact: Marc McDonald or DJ Canepa
(415) 274-0660

SUMMARY OF PROPOSED ACTION

Staff requests approval to execute an amendment to the sublease with San Francisco Cup Class, LLC (SFCC) for a portion of Pier 1 at the South Waterfront area of Treasure Island to extend the term up to June 1, 2005 and to increase the rent by 3%, San Francisco Cup Classic will be paying approximately \$0.21 per square foot and rent for the facility will be \$3,914.00 per month.

BACKGROUND

On May 1, 2003 the Treasure Island Development Authority entered into a month to month sublease with the SFCC (formerly America's Cup Media, LLC) for space on Pier 1. At that time, SFCC was in the nascent stage of organizing a four- race series of regattas with America's Cup Class boats competing on San Francisco Bay. SFCC approached the TIDA about using a portion of Pier 1 in its search for a home for its operations and storage.

SFCC pays the Authority \$3,800 per month to lease approximately 19,000 square feet at the end of Pier 1 for six months to store the America's Cup Class boats. The premises have been used to store the America's Cup Class yachts, containers, a crane and other goods.

SFCC has also agreed to pay the Authority \$3,914.00 effective January 1, 2005, this is an increase of 3 percent, San Francisco Cup Classic will be paying approximately \$0.21 per square foot and the rent for the facility will be \$3,914.00 per month. San Francisco Cup LLC has requested an extension of the term of their Sublease. Authority staff wishes to extend the term of the sublease through June 1, 2005 at the increased rental rate.

RECOMMENDATION

Staff recommends approval.

EXHIBITS

- A Sublease between the Treasure Island Development Authority and the San Francisco Cup Class for a portion of Pier 1.



1 [Extension of Sublease with San Francisco Cup Class]

2 **AUTHORIZING THE EXECUTIVE DIRECTOR TO EXTEND THE TERM OF THE**
3 **SUBLEASE WITH SAN FRANCISCO CUP CLASS FOR USE OF A PORTION OF**
4 **PIER ONE THROUGH JUNE 1, 2005 AND INCREASE THE RENT BY 3% TO**
5 **\$3,914.00 PER MONTH.**
6

7 **WHEREAS,** On May 2, 1997, the Board of Supervisors (the "Board") passed
8 resolution No. 380-97 authorizing the Mayor's Treasure Island Project Office to
9 establish a nonprofit public benefit corporation known as the Treasure Island
10 Development Authority (the "Authority") to act as a single purpose entity focused on
11 the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of
12 former Naval Station Treasure Island (the "Base") for the public interest,
13 convenience, welfare and common benefit of the inhabitants of the City and County
14 of San Francisco; and,
15

16 **WHEREAS,** Under the Treasure Island Conversion Act of 1997, which
17 amended Section 33492.5 of the California Health and Safety Code and added
18 Section 2.1 to Chapter 1333 of the Statutes of 1968 (the "Act"), the California
19 legislature (i) designated the Authority as a redevelopment agency under California
20 redevelopment law with authority over the Base upon approval of the City's Board of
21 Supervisors, and, (ii) with respect to those portions of the Base which are subject to
22 the Tidelands Trust, vested in the Authority the authority to administer the public
23 trust for commerce, navigation, and fisheries as to such property; and,
24
25

1 **WHEREAS**, The Tidelands Trust encourages maritime-oriented uses of trust
2 property; and,

3 **WHEREAS**, In order to facilitate productive reuse of the Base, it may be
4 beneficial for the Authority to lease or license property from the Navy and, in turn,
5 sublease or sublicense such property to third-parties or use such property for
6 municipal purposes; and,
7

8 **WHEREAS**, The Treasure Island Development Authority, ("Authority") and
9 the United States Navy, ("Navy"), entered into a master lease on September 4,
10 1998, for the South Waterfront Area, which master lease has been amended from
11 time to time; and,
12

13 **WHEREAS**, The master lease enables the Authority to sublease portions of
14 the master leased area for interim uses; and,

15 **WHEREAS**, On May 1, 2003, the Authority and San Francisco Cup
16 Class("Permittee") entered into a six-month Use Sublease pursuant to which the
17 Authority conferred to Permittee a personal, non-exclusive and non-possessory
18 privilege to enter upon and use an area (the "Licensed Area") consisting of
19 approximately 19,000 Square feet at the end of Pier 1, and,
20

21 **WHEREAS**, On May 12, 2004, the Authority approved an extension of the
22 Sublease to December 31st 2004; and,
23

24 **WHEREAS**, The Authority staff and Permittee have agreed to increase the
25 monthly rent by 3% to \$3,914 per month.

1 **WHEREAS**, the Authority is willing to extend the term of the Sublease
2 through June 1, 2005 at the increased rate of rent; now therefore be it

3 **RESOLVED**, that Treasure Island Development Authority Board of Directors
4 hereby authorizes the Executive Director to retroactively extend the term of the
5 Sublease through June 1, 2005 and to execute an amendment to the Use Permit for
6 such extension at a 3% increase of the monthly rental rate for a total rent of
7 \$3,914.00per month.
8

9
10
11 **CERTIFICATE OF SECRETARY**

12 I hereby certify that I am the duly elected and acting Secretary of the Treasure
13 Island Development Authority, a California nonprofit public benefit corporation, and
14 that the above Resolution was duly adopted and approved by the Board of Directors
15 at a properly noticed meeting on January 12, 2005.
16

17
18
19 _____
20 Susan Po- Rufino, Secretary
21
22
23
24
25

SECOND AMENDMENT TO SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

SAN FRANCISCO CUP CLASS LLC

d.b.a. THE CHALLENGE - SERIES

as Subtenant

For the Sublease of

A Portion of Pier 1 at Naval Station Treasure Island
San Francisco, California

December 8, 2004

**SECOND AMENDMENT TO
TREASURE ISLAND SUBLEASE**

THIS SECOND AMENDMENT TO SUBLEASE (the "Second Amendment"), dated as of this ____ of December, 2004, is by and between the Treasure Island Development Authority ("Sublandlord") and San Francisco Cup Class, LLC, a limited liability company, d.b.a. The Challenge - Series ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. Sublandlord and Subtenant entered into that certain month-to-month Sublease dated September 1, 2003 (the "Sublease") for an area on Treasure Island consisting of approximately 19,000 square feet by the southeasterly end of Pier 1 (the "Pier 1 Area"), as shown in the dashed-line area on the map attached as Exhibit B to the Sublease (collectively, the "Premises"). The Parties have previously amended the Sublease to extend the Term to October 31, 2004.

B. Sublandlord and Subtenant wish to extend the maximum term of the Sublease to June 1, 2005.

NOW THEREFORE, Sublandlord and Subtenant hereby agree amend the Sublease as follows:

1. Paragraph 3.1 of the Sublease is hereby amended to read as follows:

"Term of Sublease. The term of this Sublease (the "Term") shall be on a month-to-month basis beginning on September 1, 2003 (the "Commencement Date") ~~not to exceed a total of eight months~~ not to exceed June 1, 2005."

2. Paragraph 4.1 of the Sublease is hereby amended to read as follows:

"Base Rent. Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord base rent in the amount of (i) ~~Three Thousand Eight Hundred Dollars (\$3,800.00)~~ Three Thousand Nine Hundred Fourteen Dollars (\$3,914.00) per month for the Pier 1 Area, and (ii) if Subtenant has properly exercised Subtenant's option to sublease all or any portion of the Land Area, an amount equal to the product of Twenty Cents (\$0.20) times the number of square feet specified in Subtenant's written notice pursuant to Subsection 1.1(b) per month for the portion of the Land Area subleased (each, individually and collectively, are referred to herein as, the "Base Rent"). Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date

occurs on a date other than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Base Rent for such fractional month shall be prorated based on a thirty (30) day month."

3. Except as expressly amended in this Amendment, all other terms and conditions of the Sublease shall remain in full force and effect.

Sublandlord and Subtenant have executed this Sublease in triplicate as of the date first written above.

SUBTENANT:

San Francisco Cup Class, LLC,
a limited liability company

By:

Its: _____

SUBLANDLORD:

Treasure Island Development Authority

By: _____

Its: _____

Approved as to Form:

DENNIS J. HERRERA
City Attorney

Deputy City Attorney



TREASURE ISLAND DEVELOPMENT AUTHORITY
410 AVENUE OF THE PALMS,
BLDG. ONE, 2ND FLOOR, TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660 FAX (415) 274-0299
WWW.SFGOV.ORG/TREASUREISLAND

TREASURE ISLAND DEVELOPEMNT AUTHORITY
City and County of San Francisco

Agenda Item No. 8(e)

January 12, 2005

Subject: Resolution Authorizing the Executive Director to Extend the Use Permit with the San Francisco Museum and Historical Society for Use of a Portion of Building 449 for an Additional One Year Term

Staff Contact: Peter Summerville, 274-0660

SUMMARY OF PROPOSED ACTION

Authorizing the Executive Director to adopt a resolution to extend the Use Permit with the San Francisco Museum and Historical Society (SFMHS) for the use of a portion of Building 449 for one year with a term set to expire January 14, 2006

DISCUSSION

The Use Permit allows for use of a portion of Building 449 by the San Francisco Museum and Historical Society for storage of items and artifacts as well as basic inventory and cataloging activities that may arise. The portion of Building 449 used by the SFMHS is licensed to TIDA by the United States Navy. The Navy retains full use of the rest of Building 449, and there is a secure separation between SFMHS items and Navy items in the building.

Prior to the start of the Use Permit, SFMHS kept items stored in Building 449 through an informal arrangement with the United States Navy. At the request of the Navy, half of Building 449 was licensed to TIDA in order to allow TIDA to grant SFMHS a Use Permit. The purpose of this was in order to provide secure separation between SFMHS items and Navy items in the building. The Use Permit is on a no-cost basis.

The Use Permit was originally executed on July 16th, 2003, and the Board approved a one year extension of the Use Permit at its February 11th, 2004 meeting. The extension currently before the Board would extend the term of the use permit through January 14, 2006.

RECOMMENDATION

Staff recommends approving the resolution and granting a one year extension to the Use Permit with SFMHS for use of a portion of Building 449.

EXHIBITS

A. Second Extension to Use Permit between TIDA and the San Francisco Museum and Historical Society

1 AUTHORIZING THE EXECUTIVE DIRECTOR TO EXTEND THE USE PERMIT WITH THE
2 SAN FRANCISCO MUSEUM AND HISTORICAL SOCIETY FOR USE OF A PORTION OF
3 BUILDING 449 FOR AN ADDITIONAL ONE YEAR TERM
4

5 WHEREAS, former Naval Station Treasure Island is a military base located on Treasure Island and
6 Yerba Buena Island (together, the "Base"), which is currently owned by the United States of America
7 ("the Federal Government"); and,

8 WHEREAS, the Base was selected for closure and disposition by the Base Realignment and Closure
9 Commission in 1993, acting under Public Law 101-510, and its subsequent amendments; and,

10 WHEREAS, On May 2, 1997, the Board of Supervisors passed Resolution No. 380-97, authorizing the
11 Mayor's Treasure Island Project Office to establish a nonprofit public benefit corporation known as the
12 Treasure Island Development Authority (the "Authority") to act as a single entity focused on the
13 planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the Base for the public
14 interest, convenience, welfare and common benefit of the inhabitants of the City and County of San
15 Francisco; and,

16 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended Section 33492.5 of
17 the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968
18 (the "Act"), the California Legislature (i) designated the Authority as a redevelopment agency under the
19 California Redevelopment Law with authority over the Base upon approval of the City's Board of
20 Supervisors, and (ii) with respect to those portions of the Base which are subject to Tidelands Trust,
21 vested in the Authority the authority to administer the public trust for commerce, navigation and
22 fisheries as to such property; and

23 WHEREAS, The Tidelands Trust prohibits the sale of trust property into private ownership, generally
24 requires that Tidelands Trust property be accessible to the public and encourages public-oriented uses
25

1 of Tidelands Trust property that, among other things, attract people to the waterfront, promote public
2 recreation, protect habitat and preserve open space; and

3 WHEREAS, Acting under Sections 10 and 12 of the Authority's Rules and Procedures for Transfer of
4 Real Property, adopted March 11, 1998, on July 16, 2003 the Executive Director entered into a month-
5 to-month Use Permit with the San Francisco Museum and Historical Society (SFMHS) for use of a
6 portion of Building 449 for a cumulative term of no more than six months; and

7 WHEREAS, the Board approved a one year extension of the Use Permit at its regular meeting on
8 February 11, 2004 and;

9
10 WHEREAS, the term of the original extension is set to expire on January 14, 2005; and the San
11 Francisco Museum and Historical Society wishes to extend the Use Permit for a portion of Building
12 449 until January 14, 2006 for storage and inventory purposes; now therefore be it

13 RESOLVED, That the Authority hereby authorizes the Executive Director to Extend the Use Permit
14 with the San Francisco Museum and Historical Society for Use of a Portion of Building 449 for an
15 Additional One Year Term set to expire January 14, 2006.

16
17 **CERTIFICATE OF SECRETARY**

18 *I hereby certify that I am the duly elected and acting secretary of the Treasure*
19 *Island Development Authority, a California nonprofit public benefit corporation, and*
20 *that the above Resolution was duly adopted and approved by the Board of Directors of*
21 *the Authority at a properly noticed meeting on January 12, 2005.*

22
23 _____
24 Susan Po-Rufino, Secretary
25

SECOND EXTENSION TO
USE PERMIT
between
THE TREASURE ISLAND DEVELOPMENT AUTHORITY

and
THE SAN FRANCISCO MUSEUM AND HISTORICAL SOCIETY

For the Use of
Portions of Building 449 at
Naval Station Treasure Island
San Francisco, California

January 14, 2005

**SECOND EXTENSION TO
TREASURE ISLAND USE PERMIT**

THIS EXTENSION TO USE PERMIT (the "Extension"), dated as of January 14, 2005, is entered into by and between the Treasure Island Development Authority ("Authority") and the San Francisco Museum and Historical Society ("Permittee"). From time to time, Authority and Permittee together shall be referred to herein as the "Parties".

This Amendment is made with reference to the following facts and circumstances:

- A. On or about July 16, 2003, Authority and Permittee entered into that certain Use Permit agreement (hereafter, the "Permit") for the use of portions of Building 449 on Naval Station Treasure Island, all as shown on Exhibit B of the Permit.
- B. On February 11, 2004, Parties entered into an Extension of the Permit to continue use on a month-to-month basis for an additional twelve months, retroactively from January 14, 2004 and expiring on January 14, 2005
- C. The Parties wish to enter into a Second Extension of the Permit to continue use on a month-to-month basis for an additional twelve months, from January 14, 2005 and to expire on January 14, 2006.

NOW THEREFORE, Sublandlord and Subtenant agree as follows:

- 1. Paragraph 9 of the Permit is hereby amended to extend the Permit for an additional one year, commencing January 14, 2005 and terminating on January 14, 2006.
- 2. The original terms of the Permit are to remain constant through out the term of this extension.

Authority and Permittee have executed this Extension in triplicate as of the date first written above.

PERMITEE:
**SAN FRANCISCO MUSEUM AND
HISTORICAL SOCIETY**

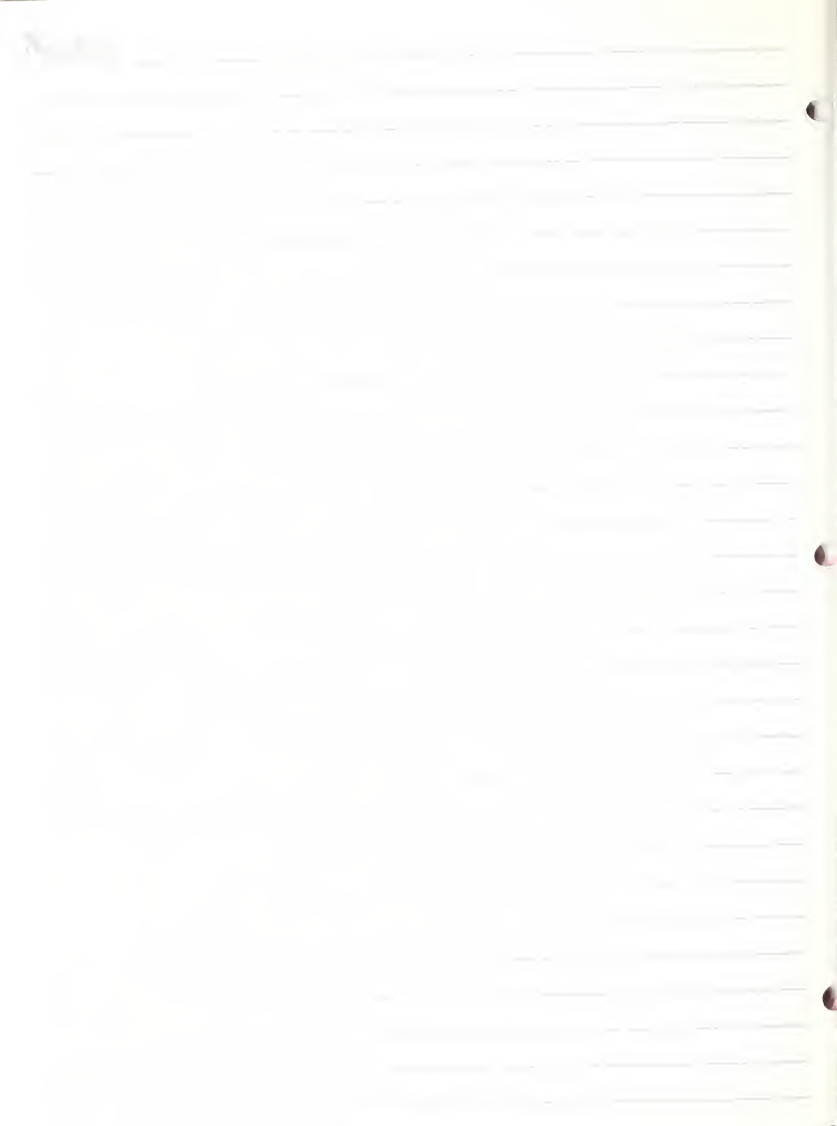
By: _____
Name: Jim Lazarus, Executive Director
Its: San Francisco Museum and Historical Society

AUTHORITY:
The Treasure Island Development Authority

Tony Hall, Executive Director

Approved as to Form:
DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney



AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Agenda Item No: 9

Meeting Date: January 12, 2005

Subject: Presentation of Draft Infrastructure and Phasing Plan

Staff Contact: Jack Sylvan, Mayor's Office of Base Reuse and Development

BACKGROUND

The Treasure Island Development Authority is under an Exclusive Negotiating Agreement with a prospective master developer, Treasure Island Community Development, LLC (TICD) for the development of former Naval Station Treasure Island. As part of the exclusive negotiations process, staff is engaged in planning and term sheet-level negotiations on several aspects of the redevelopment project. Previously, the Authority Board has received presentations on the land use and open space plan and affordable housing plan. Another key component of the term sheet negotiations is the infrastructure and phasing plan. The master developer's engineering consultants, Korve Engineering, will present an overview of the draft infrastructure and phasing plan and the associated cost estimates at the Authority Board meeting.

This draft infrastructure and phasing plan will be presented to the Treasure Island/Yerba Buena Island Citizen's Advisory Board at its January 11, 2005 meeting.







AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Agenda Item No. 12

January 12, 2005

Subject: Authorizing The Executive Director To Execute a Sublease With Rent Productions, LLC For the Nimitz Conference Center, Office Space in Building 1, Building 180 and Related Parking retroactively from January 3, 2005 to July 31, 2005 for \$12,500 per Month for the Filming of the Movie *"Rent"*

Staff Contact/Phone: Executive Director Tony Hall
Deputy Director Frank Gallagher
(415) 274-0660

SUMMARY OF PROPOSED ACTION:

Staff is requesting the Authority approve, and authorize the Executive Director to execute, a sublease with Rent Productions, LLC for the Nimitz Conference Center, Office Space in Building 1, Building 180 and Related Parking retroactively from January 3, 2005 to July 31, 2005 for a cost of \$12,500.00 per Month for the Filming of the Movie *"Rent"*

BACKGROUND:

RENT Productions LLC has occupied office space in Building 1 and the Nimitz Conference Center since November 2004 under a short-term sublease between TIDA and the Film Commission. That sublease expired on Jan. 3, 2005. Under the proposed long-term sublease, the production company would continue their use of those facilities, and also take possession of Building 180 and the adjacent parking apron for use as a production facility. The production company would bear the cost of any and all utilities associated with its occupancy. The sublease includes the possibility that TIDA may, at its discretion, accept as credit toward the rent on these facilities, certain capital improvements made to the Nimitz center that would enhance its value as a marketable facility going forward. The original term of the sublease expires July 31, 2005, and the sublease provides for two, one-month extensions, which would require further approval from the Board.

RECOMMENDATION:

Staff recommends approval of this sublease retroactive to January 3, 2005

EXHIBITS:

A. Term Sheet for Sublease between TIDA and RENT Productions LLC

1 [Authorizing a Sublease with Rent Productions, LLC for the filming of "*Rent*"]
2 **Authorizing The Executive Director To Execute a Sublease With Rent Productions, LLC**
3 **For the Nimitz Conference Center, Office Space in Building 1, Building 180 and Related**
4 **Parking retroactively from January 3, 2005 to July 31, 2005 for \$12,500 per Month for**
5 **the Filming of the Movie "*Rent*".**

6
7 **WHEREAS**, On May 2, 1997, the Board of Supervisors (the "Board") passed
8 Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a
9 nonprofit public benefit corporation known as the Treasure Island Development Authority (the
10 "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction,
11 rehabilitation, reuse and conversion of former Naval Station Treasure Island (the "Base") for
12 the public interest, convenience, welfare and common benefit of the inhabitants of the City
13 and County of San Francisco; and,

14 **WHEREAS**, Under the Treasure Island Conversion Act of 1997, which amended
15 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
16 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority
17 as a redevelopment agency under California redevelopment law with authority over the Base
18 upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the
19 Base which are subject to the Tidelands Trust, vested in the Authority the authority to
20 administer the public trust for commerce, navigation and fisheries as to such property; and,

21 **WHEREAS**, In order to facilitate productive reuse of the Base, the Authority to leased
22 or licensed property (including, without limitation, Building 1, Building 180, and the Nimitz
23 Conference Center) from the Navy and, in turn, subleased or sublicensed such property or
24 portions thereof to third-parties or used such property for municipal purposes; and,
25

1 **WHEREAS**, On November 8, 2004, the Authority's Executive Director entered into a
2 month-to-month sublease (the "Sublease") at \$500 per month with the City and County of San
3 Francisco acting by and through the San Francisco Film Commission (the "City") for the use
4 of the Nimitz Conference Center and a portion of the office space in Building 1 (the
5 "Premises") for film production activities in connection with the movie "Rent"; and,

6 **WHEREAS**, Following extensive negotiations, TIDA staff entered into a term sheet with
7 Rent Production, LLC, pursuant to which TIDA will directly lease to Rent Production, LLC for
8 the production of the movie "Rent" approximately 6,325 square feet of office space in the
9 north end of Building 1, Building 180, the Nimitz Conference Center, and related parking
10 (collectively, the "Premises"); and,

11 **WHEREAS**, Rent Productions, LLC has agreed to pay TIDA \$12,500 per month in rent
12 for the Premises through July 31, 2005 with the possibility of obtaining a rent credit not to
13 exceed \$50,000 for improvements made to the subleased premises, including major repairs to
14 the roof of the Nimitz Conference Center; and,

15 **WHEREAS**, The Naval Station Treasure Island Reuse Plan recognized the film
16 production as one of the types of land uses to be promoted and encouraged for Treasure
17 Island; and,

18 **WHEREAS**, All of the Premises have been underutilized for the past several years;
19 and,

20 **WHEREAS**, Under the proposed sublease, Rent Productions, LLC will agree to (i)
21 comply with the TIHDI Job Broker Program, (ii) comply with all prevailing wages ordinances of
22 the City and County of San Francisco, including without limitation, prevailing wages for
23 theatrical workers, and (iii) use good faith efforts to hire any and all personnel from residents
24 of the City and County of San Francisco; and,
25

**TREASURE ISLAND DEVELOPMENT AUTHORITY
TERM SHEET – FINAL VERSION
FOR THE PRODUCTION OF THE MOVIE RENT IN SAN FRANCISCO
(Sublease of space at Treasure Island)**

This Term Sheet, dated as of January 7, 2005, summarizes certain basic terms of a proposed transaction among the Treasure Island Development Authority ("TIDA") and Rent Productions, L.L.C., (referred to herein as "Subtenant"), for the filming of the movie *Rent* at Treasure Island, San Francisco.

The Parties

Treasure Island Development Authority (TIDA). The parties acknowledge that TIDA leases land and facilities from the United States Navy (such Navy leases are referred to herein as the "Master Lease" or "Master Leases") and TIDA is responsible for management of all Treasure Island facilities in accordance with the Master Leases, that those facilities are subject to the public trust, and that TIDA must have direct oversight of any activity and improvement work that is performed on the Facilities. As the authority responsible for all facilities on Treasure Island, TIDA shall enter into any and all subleases directly with any individuals and companies that enter onto and/or use any facilities subject to the jurisdiction of TIDA. The terms and conditions of all subleases for any Treasure Island facilities shall be negotiated by TIDA between TIDA and such persons in a manner satisfactory to the sole discretion of TIDA.

Rent Productions is a California limited liability company, which will film the movie *Rent* and has selected San Francisco over other competing venues in the United States. Subtenant will be the subtenant under the proposed sublease described below.

Terms for Sublease of Space at Treasure Island

Premises, Term and Permitted Uses. TIDA and Subtenant will enter into a sublease agreement of space at Treasure Island (subject to TIDA's master lease of Treasure Island from the U.S. Navy) as follows:

- Administration Building. Subtenant will occupy approximately 6,325 square feet of space at the north end of the 2nd floor suite offices of the Administration Building, from November 8, 2004 until July 31, 2005 for office and administrative uses.
- Nimitz Conference Center. Subtenant will occupy the Nimitz Conference Center, from January 3, 2005 until July 31, 2005, for rehearsal and administrative uses.

- Building 180. Subtenant will occupy Building 180, from January 3, 2005 until July 31, 2005, except that during the period from February 3 through February 7, 2005, TIDA has previously rented Building 180 to the Make-A-Wish Foundation. Subtenant has satisfied itself that the Bay Bridge construction work will not interfere with its planned filming activities.

"Make a Wish Foundation"

The parties acknowledge that the Make a Wish Foundation has booked Building 180 from February 3, 2005 through February 7, 2005 for a major fundraising event. Subtenant acknowledges and agrees that TIDA has previously rented Building 180 to the Make a Wish Foundation (the "Foundation") for the period February 3, 2005 through and including February 7, 2005 for purposes of a major fund-raising event. The Foundation has agreed to pay TIDA \$6,400.00 for the use of Building 180 during such period and has paid to TIDA \$3,200.00 as a deposit in consideration for the use and reservation of Building 180. Subtenant has provided TIDA with written letter from the Foundation that the Foundation is willing to share Building 180 with Subtenant from February 3 through February 7, 2005. A copy of that letter is attached as Exhibit C to this Term Sheet. If the Foundation is unwilling to pay the same rental amount for sharing Building 180, Subtenant shall pay TIDA the difference between what the Foundation pays TIDA for sharing Building 180 and the amount of rent initially agreed upon between TIDA and the Foundation.

Subtenant hereby acknowledges that it understands that the Master Leases for the leased premises has expired, that TIDA continues to manage the facilities under such Master Leases on a hold over, month-to-month basis, and that TIDA is currently negotiating and fully anticipates that it will be able to extend the term of the Master Leases with the Navy for an additional year. In the event that TIDA is unable to extend the Master Leases, Subtenant agrees that the sublease shall terminate upon the termination of such Master Leases.

Parking.

- Administration Building and Building 180. In connection with and throughout the term of the sublease of Building 180 and the sublease of the 2nd floor of the Administration Building, Subtenant will be provided parking for 50 automobiles behind the Administration Building at the locations shown on the attached Exhibit A.
- Nimitz Conference Center. During the period that the subtenant occupies the Nimitz Conference Center, additional parking will be made available to Subtenant by offering Subtenant exclusive use of the parking lot facing the South Entrance of the Nimitz Conference Center.
- Parking Apron Located Adjacent to Building 180. The parking lot adjacent to Building 180, immediately to the east, will be available to Subtenant for use

by Subtenant for the period beginning Jan. 12, 2005 and extending through July 31, 2005, or some portion of thereof, at the rate of \$2,000 per month.

Under no circumstances shall subtenant, its employees, contractors, vendors or others associated with subtenant be allowed to park in front of the Administration Building at any time for any reason.

Monthly Rent

- Administration Building and Nimitz Conference Center. Commencing January 3, 2005, Subtenant will pay \$500 per month in rent, payable as set forth below, to occupy the 2nd floor suite offices of the Administration Building and the Nimitz Conference Center through July 31, 2005. There will be no rental credits, set-offs or any reductions for rent due for these spaces.
- Office Space in Administration Building and Building 180 and the Parking Apron After July 31, 2005. Subtenant has indicated that it may wish to extend the term of its occupancy of the premises in the Administration Building and Building 180 and the Parking Apron through November 30, 2005. In the event the term of the sublease is extended beyond July 31, 2005 subject to the TIDA Board of Director's approval as set forth below, Subtenant will pay TIDA \$20,000.00 per month, due for the entire extended term in advance at the beginning of the extended term. Subtenant shall not be entitled to any rent credits during any such extended term.
- Nimitz Conference Center after July 31, 2005. Nimitz Conference Center may not be available for use of or occupancy by the subtenant after July 31, 2005. In the event, the Nimitz Conference Center is available to subtenant after July 31, 2005, such use or occupancy will be at terms, conditions and fair market rent as determined by TIDA in its sole and exclusive discretion.
- Building 180. The monthly rent for Building 180 is \$10,000 per month from the date that subtenant takes occupancy of Building 180, until July 31, 2005.
- Parking Apron. The monthly rent for the parking apron located on the easterly side of Building 180 (the "Parking Apron") shall be \$2,000 per month from January 3, 2005 to July 31, 2005.

Total monthly rent for the period beginning January 3, 2005 and ending July 31, 2005 for the entire leased premises shall be \$12,500.00 per month. The \$12,500 monthly rent for 7 months (or \$87,500.00) will be deposited into an escrow account selected by TIDA or some other reasonably equivalent vehicle for holding and disbursing the funds approved by TIDA, and TIDA shall draw down on the monthly rent at the beginning of each month under the Sublease.

Extension of Term

Subtenant shall submit any extension request in writing to the TIDA Executive Director no less than 45 calendar days and no more than 60 calendar days prior to the expiration date of the agreement. Provided that Subtenant timely submits a written request for extension, TIDA will extend the sublease to August 31, 2005 and/or to September 30, 2005 subject to the terms set forth below. TIDA shall have the right to affirmatively market Building 180 for use after July 31, 2005, and TIDA may enter into rental agreements for the rental of Building 180 after July 31, 2005. So long as TIDA has not booked any other uses in the months of August or September, 2005 by the time that Subtenant submits its written request for extension, TIDA will extend the term of the sublease on the same terms and conditions as the then existing sublease EXCEPT that rent for the entire leased premises shall be \$20,000 per month.

In the event that the term of the sublease is extended for the Administration Building, Building 180 and the adjacent parking apron, then the sublease shall be extended as requested by Subtenant under the same terms and conditions except that Subtenant shall pay the combined rent of \$20,000.00. In the event of any extension of the term, Subtenant shall have no right to any reduction in the rent for any reduction in the subleased premises.

In the event of any extension of the term as provided above, then nothing in this section of the Term Sheet shall limit TIDA's rights with respect to an unpermitted holdover, as further provided below.

Rental Credits

- Improvements to Buildings in Lieu of Rent. As partial consideration for and in lieu of cash rent for Building 180, Subtenant will:
 - Repair the roofing system of the Nimitz Conference Center to prevent it from leaking, perform one-time "industrial cleaning" of the Nimitz Conference Center.
 - Perform one-time "industrial cleaning" of the premises that will be occupied by the subtenant in the Administration Building.
 - Make the bathroom repairs in the Nimitz Conference Center, and
 - Perform the mold abatement of the Nimitz Conference Center.

All of this work shall be performed at no cost to TIDA, in accordance with the specified scope of work attached (the "Scope of Work").

TIDA will inspect the work and determine in good faith whether the work performed is consistent with the work described in the Scope of Work and satisfactory to TIDA.

If the work is (1) consistent with the Scope of Work, (2) performed to the satisfaction of TIDA, and (3) subtenant assigns to TIDA warranties for the roofing system satisfactory to TIDA under an assignment agreement in form and substance satisfactory to TIDA,

then Subtenant will receive a credit in the form of a refund from the escrow account in an amount that shall not exceed \$50,000 (the "Maximum Rent Credit Amount") against rent due for Building 180.

If Subtenant is allowed rental credits, such rental credits shall not exceed \$50,000, regardless of the actual cost of any work or improvements performed by Subtenant to the leased premises. At such time that the rental credits are exhausted, the subtenant shall be liable for full rental payments to TIDA as described above in "Monthly Rent".

Subtenant will not be entitled to any credit against rent for any work that TIDA reasonably determines is inconsistent with the Scope of Work; for the cost of any work, even if consistent with the Scope of Work that exceeds the Maximum Rent Credit Amount of \$50,000; or for the cost of any improvements that Subtenant determines are necessary or appropriate to any building except the Nimitz Conference Center.

Utilities.

Subtenant will pay all costs of utilities for its use of the subleased premises, including the Administration Building space, Nimitz Conference Center and Building 180.

For the Administration Building, Subtenant will pay TIDA for the utilities cost on a pro-rata basis based on ratio that the square footage of the space Subtenant occupies bears to the total square footage of all occupied space in the Administration Building. Subtenant understands and acknowledges that its premises in the Administration Building are not separately metered for any utility services.

Building Repairs

Requests for all building repairs and maintenance services for the building shall be performed exclusively by personnel satisfactory to the Sublandlord and approved in advance by Sublandlord in writing, except that temporary repairs necessary to (i) avoid any impending life-threatening condition or (ii) repair any condition that, if not immediately repaired, would lead to the destruction or damage of any of the premises or to Subtenant's personal property or would delay Subtenant's production schedule, may be made by subtenant without TIDA's approval; provided that Subtenant shall use its best efforts to give telephone notice to TIDA of any such repairs prior to commencing such repairs or, if such prior notice is not reasonably possible, promptly after the commencement of such work. Any such emergency repair shall be done at subtenant's expense, using licensed and bonded contractors and in accordance with all applicable laws, including without limitation the rules, regulations, and ordinances of the City and County of San Francisco.

All costs for building repairs and maintenance services to the premises shall be reasonably consistent with the repairs and maintenance requirements of a short-term commercial lease in the City and County of San Francisco, shall be the sole and exclusive

responsibility of the subtenant, and shall be not be available or subject to credits, off-sets or any other form of compensation or reduction in rents due and payable to TIDA.

Security

Safety and security for subtenant's property, personal property, equipment, employees, personnel, contractors and subcontractors shall be the sole and exclusive responsibility of the subtenant. This responsibility shall extend to the premises that are the subject of the sublease as well as all areas under the jurisdiction of TIDA.

Access Right.

Subtenant understands and acknowledges that the sole freight elevator for Building One is located within the footprint of their premises. TIDA must reserve right of access through the premises for TIDA, its employees, contractors, subcontractors and City Department employees for access to and from the freight elevator during reasonable business hours, including reasonable hours for conduct of janitorial, repair and general maintenance services. Further, Subtenant understands and acknowledges that certain events will take place in Building One during the period of their occupancy. In such event, event managers and their employees will need access to the freight elevators for the purpose of set-up, operation and break-down. In such events, the access right reserved to TIDA must extend to such vendors, events managers, their employees, contractors and subcontractors. Subtenant will be solely and exclusively responsible for their security. TIDA cannot be responsible for security associated with this access right.

Improvements.

Subtenant will not perform any work or improvement or make any alterations to any of the subleased premises without first obtaining all required building permits and any other required regulatory approvals and without first obtaining TIDA's written consent. Except as provided above with respect to rental credits described above, all such work shall be at no cost to TIDA. Modifications to the premises made for the benefit of subtenant, including removal of doors, windows or the creation or covering of openings shall be repaired and returned to their original condition.

Holdover.

Subtenant will agree to vacate the premises on or before the expiration date of the applicable sublease or any sublease extension and will have no right to hold over without TIDA's written consent, which TIDA may grant or refuse in its sole and absolute discretion. Unless TIDA has expressly granted Subtenant an extension of the term of the sublease, Subtenant shall have no right to hold over. Subtenant acknowledges that time is of the essence regarding its vacation of the premises, and that failure to vacate in a timely fashion will damage TIDA. Accordingly, TIDA and Subtenant will agree to include appropriate provisions in the sublease giving TIDA adequate assurances that if Subtenant holds over without TIDA's express written permission, Subtenant will pay to TIDA a

hold over rent in the amount of \$5,000 per day until Subtenant vacates in accordance with the requirements of the sublease.

Security Deposit.

Security Deposit shall be in the amount of \$25,000. The Security Deposit will be returned to Subtenant by TIDA in its sole and exclusive determination.

TIDA Remedies for Breach

TIDA agrees to the following limitations regarding injunctive relief and security interests in the movie "Rent:"

Notwithstanding anything to the contrary contained herein, TIDA waives any right to enjoin or restrain or otherwise impair in any manner the production (outside the premises), distribution, exhibition or other exploitation of the Picture or any parts or elements thereof or the use, publication or dissemination of any advertising in connection therewith, and TIDA shall not have any security interest in the Picture or in any other intellectual property of the subtenant.

With the execution of this Term Sheet, Subtenant has provided TIDA with a payment guarantee from Revolution Studios Distribution Company, LLC for the payment of any money damages against Subtenant arising out of Subtenant's breach of any provision of the Sublease, a copy of which is attached as Exhibit D.

Standard Form.

Except as set forth herein, the terms and conditions of the sublease agreement will be substantially as set forth in the draft Treasure Island Sublease dated November 8, 2004. The sublease agreement will be directly between TIDA and Subtenant.

Additionally, Subtenant will agree to (i) comply with the Job Broker Program of the Treasure Island Homeless Development Initiative (TIHDI), (ii) comply with all prevailing wages ordinances of the City and County of San Francisco, including without limitation, prevailing wages for theatrical workers, and (iii) agree to use good faith efforts to hire any and all personnel from the City and County of San Francisco.

Agreements Between TIDA, the City, its Film Commission, and Subtenant

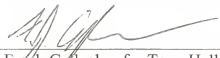
It is understood that the City's Film Commission is not a party to this agreement. The existing sublease between the subtenant and the City's Film Commission are between the two parties and have no effect, bearing on or relation to any agreement between either the Film Commission and TIDA or between Subtenant and TIDA. Any agreements, representations, statements or understandings by the Film Commission or any party,

regarding TIDA's obligations and responsibilities either in the past, the present or the future have and shall have no binding on TIDA, its officers, employees, contractors, subcontractors, affiliates and associates, except to the extent that TIDA has signed or ratified an agreement.

Purpose

While this Term Sheet summarizes certain essential terms of the proposed transaction for the filming of the movie Rent in San Francisco, it is not intended to be, and will not become, contractually binding on the TIDA, the City, or Subtenant, and no legal obligation will exist on any party's part unless and until the parties have negotiated, executed and delivered mutually acceptable agreements, and all required City approvals have been obtained, including, without limitation, approval of the TIDA Board of Directors. The parties agree to negotiate diligently and in good faith to attempt to reach final agreements consistent with this Term Sheet.

TREASURE ISLAND DEVELOPMENT AUTHORITY

By 
Frank Gallagher for Tony Hall,
Executive Director

SUBTENANT

RENT PRODUCTIONS, LLC

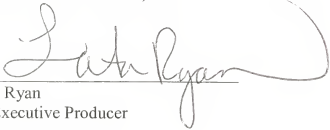
By 
Lata Ryan
Its Executive Producer

EXHIBIT A
LOCATION OF PARKING

EXHIBIT B
SCOPE OF WORK

Repairs to Nimitz Conference Center:

Roof Repairs Sufficient to prevent Leaking throughout the Facility (See Attachment 1 for 2-year warranty)

Mold Abatement Sufficient to prevent reoccurrence of mold for a reasonable period of time.

Repairs to Water damaged carpets, ceilings and walls including paint & patch as necessary.

Repairs to restrooms, sufficient to ensure that all sinks, toilets, urinals, commodes, etc. are operational and serviceable.

EXHIBIT C

Make-A-Wish Letter

Greater Bay Area
Make-A-Wish Foundation®
235 Pine Street, 6th Floor
San Francisco, CA 94104-2745
415 982-9674
415 982-0644 fax
www.makeawish.org



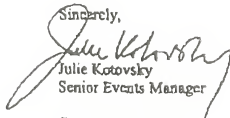
January 7, 2004

To the People of Rent,

This letter confirms my conversation with Patricia Wilson, Executive Director of the Greater Bay Area Make-A-Wish Foundation regarding use of building 180 on February 3-7, 2005. We happily agree to share the bangar with the people of Rent. Make-A-Wish will be using only one half of the building for our Wine and Wishes event. The event will take place on February 5, with set up and break down occurring in the days before and after.

I hope this helps with any concerns you may have. Feel free to contact me should you have any questions or would like to discuss this further. I can be reached at 415-402-2767.

Sincerely,



Julie Kotovsky
Senior Events Manager

Cc: Patricia Wilson

EXHIBIT D

Revolution Studios Distribution Co. LLC Guaranty

TIDA guarantee
"RENT"

GUARANTEE

1. As an inducement to Treasure Island Development Authority ("TIDA") to enter into that certain Term Sheet dated as of January 7, 2005, and the sublease contemplated by the Term Sheet (the "Sublease") to be entered into between TIDA and Rent Productions, LLC ("Company") with respect to the lease of certain space at the premises known as Treasure Island in connection with the motion picture tentatively entitled "RENT" (the "Picture") and in consideration of the benefits the undersigned guarantor ("Guarantor") will derive from the execution of the Sublease, Guarantor guarantees full and faithful performance of all of the obligations undertaken by Company (the "Guaranteed Obligations") under the Sublease.

2. This Guarantee is conditioned upon (a) Company and TIDA entering into the Sublease and Guarantor receiving a fully executed copy thereof and (b) Guarantor receiving a copy of this Guarantee executed by TIDA.

3. The obligations of Guarantor hereunder are independent of the obligations of Company and a separate action or actions may be brought against Guarantor whether or not an action is brought against Company and whether or not Company is joined in any such action or actions. Guarantor agrees that its obligations hereunder shall not be exhausted by any failure or omission or delay by TIDA to exercise any right or remedy under the Sublease or otherwise, except to the extent that such failure, omission or delay constitutes a waiver under the Sublease (e.g., statute of limitations, laches, etc.). This Guarantee shall continue to be effective or reinstated, as the case may be, if, and to the extent that, at any time payment of any amount paid under the Sublease is rescinded or otherwise required to be returned and actually returned by TIDA upon the insolvency, bankruptcy or reorganization of Company. Except as otherwise set forth herein, Guarantor's obligations under this Guarantee are subject to all defenses which Company may have against TIDA with respect to enforcement by TIDA of the Guaranteed Obligations.

4. Guarantor agrees that any modification of the Sublease shall not affect this Guarantee and authorizes TIDA and Company upon their mutual agreement, without notice or demand and without affecting Guarantor's liability hereunder, from time to time to modify or alter the Sublease or any of the terms thereof or any part thereof (provided, however, that this Guarantee shall not apply to any such modification or alteration which increases or accelerates the obligations of Guarantor hereunder without Guarantor's prior written consent). No assignment permitted by the Sublease (if any) will relieve Guarantor of its obligations to TIDA except and to the extent (if at all) that such assignment, by the terms of the Sublease, relieves Company of all or a portion of its underlying obligations to TIDA (the "Released Obligations"), in which instance Guarantor shall be relieved of its obligations to TIDA hereunder with respect to the Guaranteed Obligations to the extent of the Released Obligations.

5. Subject to the demand requirement set forth in Paragraph 6 below, Guarantor waives any right to require TIDA to proceed against Company or pursue any other available remedy prior to proceeding against Guarantor. Guarantor waives any defense arising by reason of (a) the insolvency or bankruptcy of Company, (b) lack of authority of Company or the person signing the Sublease on behalf of Company, (c) any disability or incapacity of Company or the person signing the Sublease on behalf of the Company, (d) that part of Section 2839 of the California Civil Code relating to offers of performance of the principal obligation (but not with respect to performance of the principal obligation) and/or (e) Section 2845 of the

01/01.07.04/MPS

California Civil Code. Guarantor waives all presentments, notice of or right to consent to any modification or alteration of the Sublease or any of the terms thereof or any part thereof (provided, however, that no such modification or alteration shall increase or accelerate the obligations of Guarantor hereunder); notices of non-performance (except as provided in Paragraph 6 below); protest; notice of protest; notice of dishonor; notice of acceptance of this Guarantee and of the existence, creation or incurring of new or additional obligations (provided, however, that no such new or additional obligations shall increase or accelerate the obligations of Guarantor hereunder).

6. Guarantor shall have no obligation to TIDA hereunder with respect to any monies unless and until such monies shall have accrued and become payable to TIDA in accordance with the provisions of the Sublease and Company shall have failed to pay said monies as and when due and TIDA shall have given Guarantor notice thereof and a period of ten (10) business days shall have elapsed from the date of Guarantor's receipt of such notice.

7. THE INTERNAL SUBSTANTIVE LAWS (AS DISTINGUISHED FROM THE CHOICE OF LAW RULES) OF THE STATE OF CALIFORNIA AND THE UNITED STATES OF AMERICA APPLICABLE TO CONTRACTS MADE AND PERFORMED ENTIRELY IN CALIFORNIA SHALL GOVERN (i) THE VALIDITY AND INTERPRETATION OF THIS GUARANTEE, (ii) THE PERFORMANCE BY GUARANTOR OF ITS OBLIGATIONS HEREUNDER, AND (iii) ALL OTHER CAUSES OF ACTION (WHETHER SOUNDING IN CONTRACT OR IN TORT) ARISING OUT OF OR RELATING TO THIS GUARANTEE OR THE TERMINATION OF THIS GUARANTEE.

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guarantee as of 7th January 2005

REVOLUTION STUDIOS DISTRIBUTION COMPANY, LLC
("Guarantor")

By: 

Authorized Signatory

ACCEPTED AND AGREED TO:

TREASURE ISLAND DEVELOPMENT AUTHORITY
("TIDA")

By: _____

Its: _____

JEFF SMALL
CFO



JEFF SMAIL

January 7, 2005

Treasure Island Development Authority
Treasure Island Project Office
401 Palm Avenue
Building 1, #237

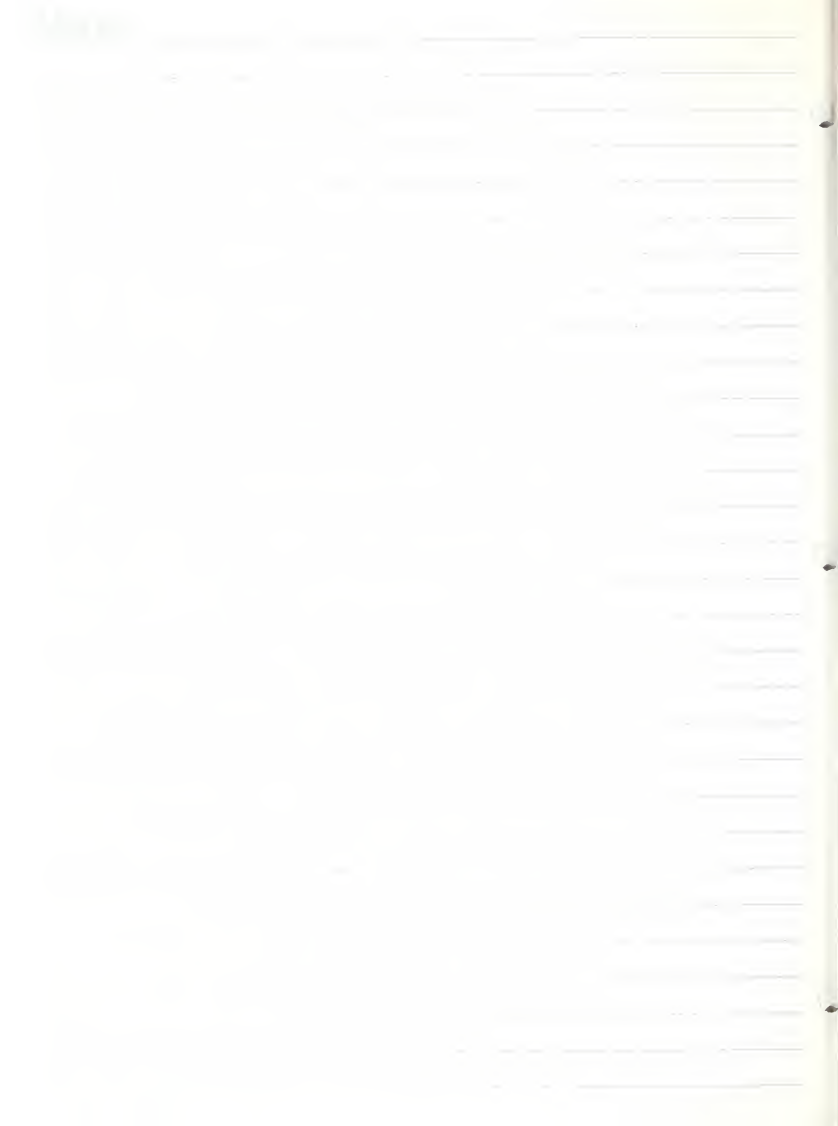
Attn: Executive Director

This letter is to confirm that Revolution Studios Distribution Company, LLC has a net worth in excess of \$1,000,000.

Sincerely,

Jeff Smail
Chief Financial Officer

CC: Daniel S. Ferleger
Michele P. Schultz







TREASURE ISLAND DEVELOPMENT AUTHORITY

410 AVENUE OF THE PALMS,
BLDG. ONE, 2ND FLOOR, TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660 FAX (415) 274-0299
WWW.SFGOV.ORG/TREASUREISLAND

DRAFT Minutes of Meeting
Treasure Island Development Authority
January 12, 2005

City Hall, Room 400
1 Carlton B. Goodlett Place
San Francisco, CA

1. Call to Order: 1:37 PM

Roll Call Present: Claudine Cheng (Chair)
Susan Po-Rufino (Vice-Chair)
Jared Blumenfeld
John Elberling
William Fazande
Marcia Rosen

Excused: Monique Moyer
Supervisor Chris Daly

DOCUMENTS DEPT.

FEB - 4 2005

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PUBLIC LIBRARY

Director Cheng stated that barring any objections, the Board will hear Items 10, 11 and 12 directly following the Executive Directors Report.

2. Executive Director's Report Provided by TIDA Executive Director Tony Hall.

Mr. Hall stated that there was a fire last night on Treasure Island which destroyed Building 293, located on Avenue M between 4th Avenue and 5th Avenue. Building is approximately 20,000 square feet and controlled by the Navy. It is believed the fire was started by squatters. Stated that Academy of Arts film students are using Treasure Island for class projects. Oracle held its Oracle World event on Treasure Island for approximately 8,000 guests. Make-a-Wish Foundation will hold its annual fundraiser February 5th through 8th. Stated he met with the Executive Director of the San Francisco County Transportation Authority along with Michael Cohen, Jack Sylvan and the development group to discuss the strategy for on and off-ramps for the Bay Bridge and potential legislation affecting this issue. Assembly Speaker pro tem Leland Yee is interested in helping to formulate a policy for this issue. Asked new Financial Director John Farrell to provide a report to the Board.

Mr. John Farrell, TIDA Financial Director, stated that the Board has been provided a report on the draft Harvey Rose audit. Commended Mr. Rose and stated that TIDA needs to take

immediate steps to address its deteriorating financial health. Stated he also has prioritized preparing the upcoming FY 2005-2006 budget and revisit the current fiscal year budget. Stated he will all existing professional service contracts with City Departments and require detailed breakdowns of services rendered. Stated that TIDA will also transition to being its own agency. Will consolidate contracts and look to establish internal controls necessary for an independent agency. Thanked Director Moyer for providing the Port Nexus report and thanked Executive Director Hall and the Board for providing him the opportunity to work with them.

Director Rosen stated that the Harvey Rose audit is not before the Board as it is not finalized so his summary of the audit is helpful but not final for the Board. Stated she wanted to make sure the Directors had an opportunity to augment the recommendations made in the report. Exploration of issues should go beyond those enumerated by Mr. Rose and into everything included staffing levels and expenditures on equipment and vehicles. Everything in the budget should be under review, not just professional services contracts. Wants to ensure the Board has input into the budget process as well as the long range financial planning process.

Director Elberling asked when the Board will have a chance to discuss the "larger questions" such as the expenses to the Fire Department and Public Utilities Commission and the decline in housing revenues. Asked when the Board will be presented with a revised FY 04-05 budget.

Mr. Farrell stated that he intends to contact all the City departments for detailed budgets of their work and services, and then he intends to have these details substantiated in comparison to what is needed on Treasure Island and what is being provided currently, in an attempt to cut back in this fiscal year in preparation for the upcoming fiscal year.

Director Elberling asked how long this process will take.

Mr. Farrell stated that this process will take place along with the regular budget review process that is beginning in anticipation of the next fiscal year. A report will be provided at this in the past, though she raised this issue several times. Compliance to the CRL budget requirements is needed for any transition to an independent agency. The audit of a redevelopment agency does get submitted to the state and should be in conformity. Fortunate to have as counsel to TIDA a lawyer who is very knowledgeable in redevelopment law. Strongly urged TIDA to build this into the budget preparation model.

Director Elberling asked if the latest information on housing revenues will be provided at the next meeting, since it is consequential for revenues.

Mr. Farrell stated that it will be provided at the next meeting.

Director Rosen stated that California Redevelopment Law has a provision as to what a budget for a redevelopment agency should look like. The TIDA budget has not conformed to this in the past, though she raised this issue several times. Compliance to the CRL budget requirements is needed for any transition to an independent agency. The audit of a redevelopment agency does get submitted to the state and should be in conformity. Fortunate to have as counsel to TIDA a lawyer who is very knowledgeable in redevelopment law. Strongly urged TIDA to build this into the budget preparation model.

Executive Director Hall stated that an emergency planning meeting was held with on-Island entities Friday January 7th, coordinated by TIDA staff Marc McDonald, Frishta Afifi and D.J. Canepa. Stated that the issue of security deposits was raised by the Board at the last meeting. Stated the current TIDA security deposit policy for commercial tenants is that they must provide a deposit equal to two months rent, and the amount of deposit will not apply to the

amount of rent due. Stated requested guidelines for filming on Treasure Island and an MOU between TIDA and the Film Commission are forthcoming shortly.

Director Cheng requested that when these film items are drawn up that the Board be given a chance to review, comment and approve the documents.

Executive Director Hall stated that he would make sure that was the case. Stated the Board will soon receive a memo from the IATSE Local #16 regarding prevailing wage requirements for technical workers on City property, passed by the Civil Service Commission. Stated that the City Attorney has advised him that these regulations do not directly apply to TIDA, however similar language has been written into contracts between TIDA and film productions in the past. Stated the agreement with the San Francisco Redevelopment Agency has expired and TIDA has until the end of the coming fiscal year to establish itself as an independent agency, and TIDA is working on the necessary steps to achieve this. Stated he wants to correct a newspaper article which appeared last Sunday. Regarding the open house/community outreach party held in December at the Casa de la Vista. Stated it was an open house that brought together representatives of all on-Island entities, the TIHDI organizations, the Treasure Island school, the John Stewart Company and a couple of the Directors. This was a good opportunity to foster hope and spirit as well as give all the Island entities an opportunity to interact and see what each other is doing. Suggested something like this should be done on a semi-annual basis, unfortunately the press portrayed it as a "Christmas party". Secondly, the vehicle situation was misconstrued. Currently, staff relies on two 1980's model vans and a 1980's Dodge sedan. With constant requests to show people around the Island as well as constant staff trips to City Hall, a new staff vehicle was leased through a recommendation of the gentleman who handles leasing of the City fleet. The vehicle seats 4 to 6 people and is used by the entire staff.

Director Blumenfeld suggested staff look into trading-in the currently leased vehicle for a hybrid or alternative energy vehicle. Stated that TIDA should be looking to set an example for residents and TIDA should work to exhaust its options on finding an environmentally friendly vehicle that still suits staff needs, if possible.

Executive Director Hall stated that finally the on-Island fire last night indicates the need for an on-Island caretaker to handle such issues.

Director Cheng asked if there was someone that handled these caretaker duties in the past.

Executive Director Hall stated that there had been people in the past and there is a part-time person on staff, but it is not specific "caretaker" status.

Director Cheng stated that if open houses are planned on a more regular basis then there should be an item in the budget outlining these costs so that everyone knows what the costs are and what is the most effective way to hold a community outreach event.

Director Rosen stated that it was her impression that the Navy turned over a fleet of vehicles to TIDA when it took possession of the property. Stated she does not know the condition of these vehicles and if they were all usable. Requested a report on this inventory of vehicles under the control of the Authority.

Director Cheng stated that at this time the Board will hear Items 10, 11 and 12.

10. Director Blumenfeld asked for clarification on the purpose of this closed session item in order for the public to get a sense of what is being proposed for discussion in closed session. Stated that the closed session may not be as needed now that positive steps have been taken towards resolving this issue.

Executive Director Hall stated that his opinion was it could go either way. Stated he feels that there are a few points that need to be aired to the Directors, but he would leave it up to the discretion of the Board.

Director Cheng asked for TIDA counsel's advice

Deputy City Attorney Donnell Choy stated that convening to closed session was up to the will of the Board. Both the Sunshine and Public Records Act allow for closed session for real estate negotiations, including leases. The transaction in question can be the subject of a closed session and has been noticed as such.

Executive Director Hall suggested that because of the nature of the item the Board convene in closed session, but the final decision is with the Board.

Director Cheng stated that she feels that due to the negotiations there are policy questions in regards to this item that Board members might need a closed session to be updated on.

Director Po-Rufino asked if Director Cheng was requesting closed session in order to allow an opportunity for other Board members to hear from counsel, as they might not have been privy to certain delicate points of the negotiations

Director Blumenfeld asked to bifurcate the discussion so that the closed session was limited to only those items that need to be discussed in closed session.

There was no public comment on the proposed closed session

Director Po-Rufino motioned for the Board to convene in closed session

Director Cheng seconded the motion

The TIDA Board voted to convene in closed session by a vote of 5 to 1

(Ayes: Cheng, Po-Rufino, Blumenfeld, Elberling, Fazande)

(Noes: Rosen)

The TIDA Board went into closed session at 2:08 PM

Closed session discussion:

Director Cheng stated that there are a few condition precedents and outstanding issues with regards to the sublease in question that may warrant questions. Wanted to bring up these issues since they are policy calls for the Board based on recent developments. Asked TIDA counsel for his view on the proposed sublease. Stated the main policy question is in regards to the advance base rent deposit.

Director Elberling stated policy questions belong in public session. Closed session is before something is brought to the Board in order to discuss contingencies. Usually by the time a lease is presented these decisions have been made. Legal advice, on the other hand, can sometimes not be disclosed based on what is being discussed.

Director Rosen asked counsel to remind Directors and staff the strong prohibition on disclosure of closed session discussions. It has disturbed her greatly to hear throughout City Hall

numerous references to things Directors said during closed session or are alleged to have said. Stated that is an absolute violation of the Brown Act and closed session provisions. Stated she does not believe the closed session is needed based on the comments Director Elberling has made. The Board has already instructed their negotiators. The purpose of a closed session is not to engage in extraneous discussion or the merits of a proposal before the Board. It would be the Executive Director's responsibility to seek counsel should he feel that the lease terms have been violated. Stated she thinks staff is beyond negotiations since there is a proposal with a written recommendation in front of the Board and if that recommendation has changed then staff can make this known in open session when the item is called. Strongly urged everyone in the room to take obligations of confidentiality seriously.

Executive Director Hall stated that he can assure Director Rosen that any "leaks" did not come from the TIDA staff or the TIDA Board. The Board can go into open session if that is the wish of the Board.

Director Elberling asked if the proposed lease has been accepted by all parties or if negotiations are still ongoing.

Executive Director Hall stated that proposed lease has been accepted by all parties, there are certain conditions that the Board should know about that were not brought up ahead of time.

Mr. Choy affirmed Director Rosen's admonition that all matters discussed in closed session are confidential until such time as the body decides to disclose information from closed session. The Board can meet in closed session to give directions to terms and conditions of a real estate transaction. The vast majority of the terms and conditions of this lease have been negotiated out. One provision in the lease leaves open ambiguity; this is the area where the Executive Director is looking for direction. This issue has to do with base rent. The lease is for \$12,500 per month and also requires the entire base rent for the full seven months of the term be deposited up front in either an escrow account or another vehicle approved by TIDA. The issue is whether the form of the deposit to TIDA is in an escrow account, a trust account or direct deposit into the TIDA budget. This is a matter for the Board to give direction to its negotiators on, or decide to decide this issue in open session.

Director Po-Rufino asked if this change came about after the lease was agreed upon by the parties

Director Blumenfeld asked what the other issue in question was

Executive Director Hall stated another issue is that of the use of the office space by Rent LLC

Director Rosen asked if these issues were based upon changes in the term of the lease that is being recommended

Executive Director Hall stated that the lease specifically states the money should be deposited into an escrow account or other third party account. This was set up this way based on the concerns of the Directors from the last meeting. Staff just found out that the money for the sublease was just transferred a few minutes ago from the Mayor's Office directly to TIDA, which would appear to be a co-mingling of funds. Stated he wants the Board to know ahead of time that this is not the way it was arranged to be set-up and he doesn't want the Board to be accused of somehow engaging in a gift of public funds, even if that is not the case. Stated that the current use of office space in Building 1 by Rent LLC has changed in that they have set up a recreation center which is causing floor load stress on Building 1 directly above the offices occupied by TIHDI. None of this changes the terms of the lease. He is prepared to go with this

sublease as-is because they are very good terms for Treasure Island and the City and County of San Francisco.

Mr. Choy stated he wanted to clarify a few things. This transaction is really two separate agreements, one between TIDA and Rent LLC, and a second between the Film Commission and Rent LLC. TIDA is not involved in the agreement between Rent LLC and the Film Commission. If the Board has read the terms and conditions of the sublease, it is a good sublease. As to whether there are legal issues between the City acting through the Film Commission and Rent LLC is not something that he can comment on.

Executive Director Hall stated that because news agencies requested public documents was the referenced agreement found between Rent LLC and the Film Commission that basically called for no rent and no utilities and an open ended lease. At the last minute Rent LLC gave in after four months of negotiations and agreed to the terms of the sublease.

Director Blumenfeld stated that based on what counsel and the Executive Director says this discussion should be in open session. The issues of use of office are internal to TIDA staff and can be dealt with that way. As for the issue of where the money comes from, TIDA's fiduciary responsibility is to make sure TIDA doesn't give a gift of public funds. TIDA is simply receiving money, the obligation for proper use lies with the Mayor's Office. Suggested the Board reconvene in open session.

Director Po-Ruffino asked for clarification on the Mayor's Office remittance of the lump sum for rent to TIDA, asked if the remittance from the Mayor's Office is on behalf of Rent LLC.

Executive Director Hall stated that is the way it appears. This was just found out a few minutes ago. It was specifically laid out in the lease that the film company would pay and he was concerned since the media was beginning to make an issue of it.

Director Rosen stated the two issues brought to the Board's attention are implementation matters. Permitted use within the lease or the issue of deposits constitute escrow accounts or trust accounts are steps to be taken by staff after ratification of any sublease by the Board, doesn't think there needs to be discussion of these items as a question of whether to execute the lease.

Director Blumenfeld motioned to return to open session

Director Cheng seconded the motion

The TIDA Board reconvened in open session at 2:28 PM

11. Director Blumenfeld motioned to disclose in the minutes of the meeting what was discussed in closed session

Director Rosen seconded the motion

There was no public comment on this item

The Board voted unanimously to disclose the closed session discussion for Item #10 in the January 2005 meeting minutes.

12. Executive Director Hall introduced a sublease between TIDA and Rent Productions LLC. Stated it is the result of four months of difficult negotiations which have resulted in what he feels

is a very good deal for the City of San Francisco, TIDA and Rent Productions. Asked TIDA Deputy Director Frank Gallagher to sum up the points of the sublease.

Mr. Frank Gallagher, TIDA Deputy Director, stated that the Board has been kept abreast of this matter through a series of memos and through the press. An agreement was reached in principle last Friday evening and it conforms to the direction staff received from the TIDA Board last month. Under that agreement, "Rent" will share Building 180 with the Make-a-Wish Foundation, whom had previously subleased Building 180 for an event from February 3rd through 7th, 2005. After the Make-a-Wish event, "Rent" will take possession of the whole of Building 180. Pending approval of the sublease a temporary use permit, expiring today, was granted to "Rent" to occupy Building 180. The agreement calls for a rent of \$12,500 per month for office space in Building 1, Building 180, adjacent Building 180 parking and the Nimitz Conference Center, plus all utilities and a security deposit equal to 2 months rent. The lease term is through July 31, 2005. Inspection of the film company's financial records discovered that Rent Productions LLC was capitalized for only \$1,000 dollars, and as a result staff asked for the entire value of the contract, \$87,500, as well as the \$25,000 security deposit, up front. Staff also requested a third-party guarantee from Rent's parent company should Rent LLC not be able to meet the terms of the lease in either way. Rent agreed to this request, and just before the meeting it was learned that the money had been transferred from the Mayor's Office into TIDA accounts, still have not received any information from Rent's parent company, aside from a letter from the company CFO, that the company is worth more than one million dollars and capable of meeting the terms of the lease should Rent LLC be incapable of performing. The lease includes two one month extension which require separate approval of the TIDA Board. The rent increases to \$20,000 per month should the extension be executed.

Stated in staff's view it seems that Rent LLC is interested in a presence beyond the terms of this lease. Communications have indicated that they would like to occupy the office space through November, and they also continue to inquire about space in Building 3. The lease includes the possibility of rent credits, and Facilities Director McDonald is available to speak to those details, but the brief overview is Rent LLC agreed to provide work on the roof of the Nimitz Conference Center. If that work is successful and the roof does not leak, TIDA will provide rent credits up to \$50,000.

Director Po-Rufino asked if there was a financial statement referring to the guarantor outside of the two sentence statement from the guarantor's chief financial officer.

Mr. Gallagher stated that nothing has been provided outside of the letter provided to the Board.

Director Blumenfeld stated that looking back on the last few months, it is his feeling that he does not want City government to be viewed or to function in the manner it has been portrayed. Congratulated everyone for getting the deal to actually happen and stated he wants a Memorandum of Understanding between TIDA and the Film Commission to happen soon. Thanked staff for putting in long hours on this process.

Director Rosen stated she wanted to address the question regarding additional financial information from the guarantor. Stated it is her understanding that the full amount of rent due during this sublease is on deposit and there is also a written guarantee from the parent corporation. Stated it seems to her that any additional financial information may not be pertinent

anymore since the legitimate concerns about financial guarantees should be settled by having the full amount of the rent plus security deposit plus a guarantee. Stated her concerns over this matter are allayed and asked the rest of the Board to take this into consideration as well.

Director Cheng asked counsel to highlight legal points of this sublease.

Mr. Choy stated the Deputy Director highlighted the terms and conditions of the sublease quite well. As to items that need to be performed at or before the execution of the sublease there are the money matters of the rent amount and security deposit being deposited with TIDA, the proof of insurance must be provided in conformance with requirements of the sublease, the guarantee is already in-hand, and the final step is approval of the sublease by the TIDA Board.

Public Comment

Mr. John Mischelettos, member of IATSE Local 16, stated that he is thankful that Rent is coming to San Francisco. Asked that the Board keep in mind that the film production community has been in "deep-freeze" for a couple of years. San Francisco has a rich film tradition that has started to take off with Treasure Island for a while. Asked the Board to please remember that negotiations regarding film production impact him and the film community directly as it impacts the money he feeds his children and pays his taxes with.

Ms. Eileen Utter, Director at the San Francisco Center for Economic Development, thanked the Board and endorsed the production. Stated her office is a subsidiary of the S.F. Chamber of Commerce and she has been working on a study of cities throughout the United States form an economic development perspective as it relates to film production. Stated that she can finalize that every direct dollar spent on production of a film averages \$2.3 dollars in indirect spending. What San Francisco is looking at is a production that will generate \$92 million dollars in indirect spending, which works out in restaurant spending, transportation costs, products and supplies that get bought as well as extras and construction people that are being hired. Stated she thinks the good news is that if San Francisco is seen as a production friendly city, not only will the direct production facilities benefit, but the City as a whole will benefit.

Director Rosen asked Deputy City Attorney Choy if, though there was no signature on the copy provided, he had approved the sublease as to form

Mr. Choy stated he had.

Director Elberling asked what in the lease insured that practically speaking the tenant won't do things that interfere with other activities on Treasure Island.

Mr. Choy stated there are covenants or the lease which require the subtenant to comply with the terms and conditions of the Navy Master Lease and they are prohibited from interfering with any remediation activities. The sublease terminates upon termination of the Master Lease, and building use is limited to specific limitations based on the nature of the building.

Director Elberling asked if anyone was present from Rent LLC. Asked if "Rent" was committed to being a good neighbor on Treasure Island to the other projects and programs going on the Island.

Ms. Stephanie Coyote, Executive Director of the San Francisco Film Commission, stated that there are precedents that have been set based on past production on Treasure Island. She has found Lotta Ryan, Rent's producer, to be very accommodating and believes that Lotta will be willing to work with any issues that may arise.

Ms. Lotta Ryan, of Rent LLC, stated that everyone will bend over backwards to avoid such conflicts. Stated this is a win-win situation that will make everyone happy and thus far there have been no major issues since the production has been on Treasure Island. One reason for having the Building 180 parking lot is to neatly lay out trucks and production vehicles. Always try to leave the area they occupied in good condition.

Director Cheng asked if the cars parked at Building 1 will now be moved to Building 180.

Ms. Ryan stated that the sublease allows 50 parking spaces behind the Administration Building, as well as adjoining parking at the Nimitz Center and Building 180.

Director Cheng stated that she welcomes the production and noted that she had toured the offices and most of the staff are local hires.

Director Blumenfeld stated that he would like to see the heads of TIDA and the Film Commission meet in the near future to work out an MOU in order for the two entities to work together smoothly in the future in a way that is structured and open and everyone knows what to expect from everyone else. Stated it would be great to hear that commitment from both sides while they are all in the room together at this time.

Ms. Coyote stated that such an MOU would be incredibly useful.

Executive Director stated that this MOU would be useful and such guidelines would eliminate many of the problems confronted.

Director Po-Rufino asked what the mechanism was for payment of the rent for any extensions of the sublease.

Mr. Choy stated the base rent is paid up front and there is an additional \$25,000 in security which can be used to satisfy outstanding rent payments. Clearly the terms of the agreement require that any extension would necessitate advance payment of that additional rent. In order to extend the term of the lease the subtenant must submit a written request for extension no earlier than 60 days prior to and no later than 45 days prior to July 31, 2005, dependent on TIDA not having already rented out a portion of the premises to a bona fide third party. All of this is subject to TIDA Board approval.

Director Rosen stated that the language of the sublease indicates that the extension is not subject to TIDA Board approval, as it states "the subtenant timely submits a request...the sublandlord will extend". Stated that by approving the resolution the Board is agreeing ahead of time to any potential extension, however the terms of the sublease for the original rental period state the rent is paid ahead of time. Stated any ambiguity about when the rent for extensions are to be paid should be worked out ahead of time.

Deputy Director Gallagher stated that should extensions be granted the rent would be due on the first of the month, pursuant to TIDA policies. The Board is correct in that any rent for extensions is not included in the up-front payment already made to TIDA.

Executive Director Hall stated that the original rent payment was made as a lump-sum in order to work out issues surrounding the rent credits.

Director Po-Rufino requested further financial information from the guarantor, besides the two sentence letter, should extensions be requested.

Mr. Choy stated the intent is that TIDA is allowed to book bona fide users prior to receiving a written request for extension, and thus would be able to reject the request for extension or reduce the square footage available.

Director Rosen stated that this is a very short term and she is glad that the sublease was granted with these provisions that allow for automatic extensions. Likes it because it is a burden on staff to get short-term lease extensions ready before they expire. Expects that by the time of any requested extension a good working relationship will have been built between TIDA staff and Rent LLC.

Executive Director Hall asked for counsel to clarify the terms of the extensions so the Board was clear on them.

Mr. Choy stated that to the extent that there is a timely written request for extension and to the extent that TIDA has not previously rented any of the space to a third party user, then TIDA would be required to grant either a one or two month extension without the necessity of further Board action.

Executive Director Hall stated that as a former member of the Screen Actors Guild he emphasizes with the people who spoke during public comment. Commended Mr. Gallagher, Mr. McDonald and Deputy City Attorney Choy for their hard work and tenacity in making this deal work and expressed his gratitude to staff, legal counsel and the Directors for getting what is best for the City and County of San Francisco.

Director Blumenfeld motioned for approval of the item

Director Rosen seconded the motion

The item was approved unanimously

Director Cheng stated she wished to formally welcome "Rent" to Treasure Island

3. Report by the Mayor's Office of Base Reuse and Development

Mr. Michael Cohen, Mayor's Office of Base Reuse and Development, stated that a meeting was held with the Navy last Thursday for conveyance negotiations. The current agreement with the Navy is to set-aside a particular conveyance mechanism and instead try to get a shared agreement on economic assumptions governing this project. The Navy was presented the land use plan, affordable housing plan and the infrastructure plan which have all been provided to the Board. Another meeting will be held next month where staff will present their estimate of the Navy's "cost to complete" numbers as well as TIDA's estimate on cost of remediation needed to initiate development. The remaining major pro-forma inputs will be presented to the Navy in March. Stated that in response to Director Moyer's question about to whom the Historical Radiological Assessment was circulated by the Navy, it was circulated to people who worked on Treasure Island and the mailing list was distributed to everyone who lives on the Island, media entities and others who have requested to be noticed. Stated that at the last meeting Director Blumenfeld asked for a better understanding of contract issues surrounding redevelopment. Provided a handout which illustrated such contracts. All of the contracts are funded from the professional services line item in the current TIDA budget.

Director Blumenfeld asked if the contract extensions that are brought before the Board would normally go through an RFP process.

Mr. Cohen stated that they do, but for different reasons. With the Seifel contract, for example, the contract selection is still valid, but was not utilized for a period of time. Stated that EPS and Geomatrix are the two contracts which directly raise the issues referred to. These contracts have a lot of institutional knowledge behind them. Stated he believes that given the amount of work these groups have done to this point, it would not be fiscally prudent to switch this contract mid-stream.

Director Blumenfeld stated that there are contractors that are an integral part of the development process. Stated the issue is at what point does the TIDA Board need to go back out for an RFP for such services as the date of the original contract issuance gets further into the past and asked what Mr. Cohen's opinion is on this issue.

Mr. Cohen stated it will vary on a case by case basis and he is happy to keep the Board updated on this. Stated that Geomatrix and EPS are two contracts where there is institutional knowledge but they are acting under a contract approved a long while ago, and recommended keeping an eye on those two contracts. Also stated that the Mayor's Office of Public Finance has done a pool for a number of projects and selected a financial analyst for Treasure Island, PFM, which is a very well regarded firm. There are also work orders with several public departments such as PUC, City Attorney, Mayor's Office of Housing and the Department of the Environment.

Director Cheng asked what the latest update was on the Joint Environmental Impact Review with the Planning Commission.

Mr. Cohen stated the document has been out for comments and the Planning Department is preparing response to comments. There is a reasonable optimism that this will be before a joint hearing of TIDA and the Planning Commission sometime in March or April.

4. Communications

There were communications received in the previous month from Subaru, the Office of the City Attorney and the United States Navy.

5. Report by the Treasure Island/Yerba Buena Island Citizen Advisory Board

Mrs. Karen Knowles-Pearce provided a report on the January 11, 2005 CAB meeting. The CAB heard a presentation on the draft infrastructure plan for Treasure Island. Acknowledged 12 original members of the CAB who are still serving and discussed CAB bylaws issues.

Executive Director Hall thanked Mrs. Knowles-Pearce for the commendations given to the CAB and stated this goes a long way to help everyone appreciate other's endeavors.

Director Rosen left the Board at 3:15 PM

6. Ongoing Business

Director Blumenfeld stated that a letter was received from Bluewater Network regarding \$2.5 million in federal funding earmarked for the building of the first fuel-cell ferry boat. Requested that counsel help prepare a resolution releasing the fuel-cell ferry project from TIDA's exclusive operational jurisdiction which would allow the Water Transit Authority to find

another operator until such time as there is ferry operations for Treasure Island. This release would allow the project to move forward as it has been settled for a while. Stated that he would like to commend Commission Secretary Peter Summerville for switching from individual bottled water to pitchers of water and recyclable cups for the Board, and also reminded staff of the City's Conservation Ordinance and encouraged double-sided copying and printing documents when appropriate.

Mr. Cohen stated that there has been dialogue with the Water Transit Authority over a number of grants relating to Treasure Island. The grant in question does not have a sunset clause on it. Suggested staff have further conversations with the WTA about this grant, since staff is remiss about losing such a grant entirely. Fully supports the notion of releasing the jurisdiction so that the boat can be built, with the notion that when Treasure Island is ready, the boat will return for operations servicing Treasure Island. It is not clear that option is being considered.

Director Blumenfeld asked what grants TIDA is in danger of losing.

Mr. Cohen stated that there are several grants related to improvements to the ferry terminal at Pier 1. These grants have time constraints and staff is exploring if the scope of this grant is sufficiently flexible for reprogramming. Suggested a discussion of all similar grant items at the next meeting.

7. General Public Comment

Ms. Sherry Williams, Executive Director Treasure Island Homeless Development Initiative, thanked Executive Director Hall and Deputy Director Gallagher for their work in including the provisions of the TIHDI Job Broker program in the sublease with Rent LLC. Stated that part of the MOU between the Film Commission and TIDA should include the hiring provisions that govern doing work on the Island so that the 25% work set-aside for the Job Broker program is included from the beginning of such processes. Stated that she felt that TIDA staff was looking out for the residents of the Island in making this deal happen.

Mr. David Pilpel stated that at yesterday's Public Utilities Commission meeting there was reference to the roof of an on-Island water tank that had collapsed, not many more details were given. Stated it is unfortunate that many of the items relating to Rent were aired in the press and the decision made by the Board does not reflect well on the Board and the City. Stated he hoped that there would be a meeting between TIDA and the Film Commission to execute an MOU so that film production can work smoothly in the future to achieve the policy directive of the new mayor.

8. Consent Agenda

There was no public comment on any items on the Consent Agenda

Director Blumenfeld asked why these subleases are on the consent agenda this month.

Executive Director Hall stated that many of the items were held over due to request for further information pertaining to the rent per square feet for the various subleases.

Director Blumenfeld motioned for approval of the Consent Agenda as a whole

Director Cheng seconded the motion

All items on the Consent Agenda were approved unanimously

9. Mr. Jack Sylvan, Mayor's Office of Base Reuse and Development, introduced the draft infrastructure and phasing plan for the redevelopment of Treasure Island. Stated this represents months of work from the developer and Korve Engineering as well as input from TIDA and staff, the Public Utilities Commission, the Department of Public Works and the San Francisco Fire Department. Stated that as a reminder this will again be an agenda item at the February TIDA meeting.

Mr. Jay Wallace, Treasure Island Community Development, stated that the Board has already been presented with the land use plan and affordable housing plan. This presentation puts more definition on the overall plan. Thanked Sam Larano and Greg Olson from the San Francisco PUC for their assistance in developing this plan. Reiterated that this plan is still in draft form and things are subject to change and new items and solutions will arise as it develops.

Director Blumenfeld asked if there will be a consistent format for the various draft term-sheet documents as they are brought together into the full term sheet.

Mr. Cohen stated that the final term sheet will be a written document text with a series of exhibits, typically presented graphically with diagrams, charts as well as detailed exhibits. Stated what has been presented to the Board today is a Power Point presentation, there is a full binder of the actual infrastructure plan available for the Board and the public to review as well.

Mr. Scott Arganek, Korve Engineering, presented the draft infrastructure plan. Stated that it is a description of the infrastructure improvements to be made by TICD on Treasure and Yerba Buena Islands. Describes general design standards and construction standards, streets, open space and geo-technical specifications. The preliminary cost estimate, including contingencies in engineering, is approximately \$275,512,000 for infrastructure work. There are a lot of multiple coordination issues involved in phasing such as working around hazardous material remediation, being flexible and coordinating with the environmental remediation. Need to be able to develop the Island while cleaning up the Island, and want to be able to work on structural stabilization on some parts of the Island while working on other parts. Need to always continue service to the existing housing on the Island; the number one priority is keeping all utilities flowing to the existing housing during the phasing. Stated that the construction on the Eastern span of the Bay Bridge needs to be worked with and around during this process. A three-phase phased infrastructure development is planned. During phase 1, the infrastructure needs to serve all areas of Phase 1 development; however the infrastructure development in Phase 1 goes beyond the areas of construction. The infrastructure for the tip of Yerba Buena Island is planned for Phase 3 as not to conflict with Bay Bridge construction. The "backbone" of the infrastructure, including all sewer, water, telephone, gas and electric lines, will be built during Phase 1 in a geo-technically strengthened corridor. Demolition and deconstruction will occur during each phase, and the goal is to deconstruct as many facilities as they can to salvage materials instead of simply demolishing them. This allows for the maximum reuse of materials and a demolition/deconstruction plan will be submitted as part of the Development and Disposition Agreement submittal. This deconstruction issue is one that will necessitate coordination with all stakeholders on the Island.

Mr. Dean Iwasa, Treadwell and Rolo, presented information on geo-technical stabilization. Stated that Treasure Island was created with rock dikes around the perimeter with a sand fill. The sand fill is loose and liquefiable and the Bay mud below it is soft and compressible. When sand liquefies it has a tendency to settle and spread laterally. Stabilization such as stone columns are envisioned to prevent the off-shore flow of liquefiable soils. Soil-cement columns are envisioned to prevent rotational failure. Stone columns will be needed for the causeway to prevent flow of soil. Once the improvements are in place, the perimeter of the Island and the utilities will be protected.

Director Blumenfeld asked what the average depth of the soil under Treasure Island is.

Mr. Iwasa stated that the sand layer is about 30 to 50 feet thick, on average about 45 feet thick. Stated that if it does liquefy there is quite a bit of sand that can move.

Mr. Arganek presented the street layout for the submitted land use plan. There is a mix of arterials, collectors, neighborhood streets as well as various roads on Yerba Buena Island. Every lot is served by a street. Wanted to note that transportation infrastructure includes not only roadways and bikeways and pedestrian ways but a ferry terminal, bus and shuttle facilities and parking structures. The water distribution system is a loop that runs around the Island coming from storage on Yerba Buena Island and possibly Treasure Island. Stated all water storage tanks currently used will have to be replaced. Anticipate putting up 4 million gallons of potable water for back-up, served off the 10 inch water main on the western span of the Bay Bridge by PUC, with pumping capacity to cover the entire Island. Peak demand is about 1,300 gallons per minute for potable water, with available supply about 1,800 gallons per minute. Fire demand is about 3,500 gallons per minute.

Director Blumenfeld asked what the current peak demand for water usage is on Treasure Island. Stated the difference between current peak demand and peak demand during build-out is a good thing to know.

Mr. Arganek stated that the current peak demand can be estimated but it is tough to know for sure since the current infrastructure has lots of leaks in them, and the equipment currently is not to PUC specifications. Stated the proposed storage requirement of 4 million gallons are more to meet fire flows than to meet the demand for potable water. Stated currently there is a back-up water pipe on the East Span of the Bay Bridge, this back-up may not be there as the Bay Bridge construction continues and a new back-up pipe may be necessary on the new eastern span. Some alternatives for meeting fire protection requirements are using the potable water system, storing on one or both Islands or the option of using Bay water pumped directly from the Bay, though Bay water wouldn't be stored and salt water may damage equipment. On site wastewater system will convey wastewater to a treatment plant with recycled wastewater pumping capacity, or a pumping station. In the cost estimate, an on-Island treatment plant is contemplated, though the option of pumping wastewater over the new Eastern span of the Bay Bridge to the East Bay MUD has not been discounted completely. All the YBI sewage will come through the causeway instead of the current submarine pipe that comes through the marina. Currently, all the water on the Island flows into the Bay through 26 outfalls on Yerba Buena Island and 24 outfalls on Treasure Island. Also contemplated are two storm water treatment swales and a wetland swale. The wetland swale will run into a wetland treatment area on the Island and run into the Bay after passing through a liquid-solid separator. 16 pumping stations will be needed to get the storm water to the Bay.

Dry utilities will be serviced by a dry trench serving gas, electric, phone, cable, signals, fire and police. Some off site issues being considered are electrical. Currently, the power for Treasure Island runs from Oakland and the route is very convoluted with upgrades necessary. Gas will be provided by PG&E and phone and cable will be provided by the providers.

Mr. Kevin Conger, CMG Landscape Architects, discussed the storm water treatment plan. A perimeter watershed zone around the Island will flow towards the edge of the Island and treated in vegetative swales, which are landscape elements which hold water after rain before the water goes into the Bay. Center of the Island is a separate watershed which is pumped and collected through a series of wetland gardens which will be wet year round. Finally these systems connect to the wetlands on the north side of the Island and get treated biologically and filtered before the water enters the Bay.

Mr. Cohen stated he wanted to underscore three items. The phasing is partially driven by Navy cleanup. Seismic costs have decreased from the figures in the original reuse plan studies. Those estimates were around \$250 million and now they are closer to \$50 million. Finally stated he wants to reinforce that the chart with costs has many items listed as "To Be Determined", including costs for serving existing residents and off-Island connection costs that have yet to be identified so the final costs may be higher.

Director Fazande asked if there was an electrical substation in San Francisco that could be used instead of using one in Oakland.

Mr. Arganek stated that there is a backup electrical submarine cable running from San Francisco but it shorted out in 2002. Because it has not been fixed, need to look at alternatives. Because the electrical cable from the Oakland side is being interfered with by the new Bridge, Caltrans will pick up much of the funding to replace the submarine portion of this cable, so that is an economic factor to consider as well.

Director Elberling asked if the fire fighting line item includes the water distribution system for fire fighting.

Mr. Arganek stated that this line item includes a facility for pumping salt water.

Director Elberling asked where the budget for fire fighting facilities such as a fire station is coming from.

Mr. Cohen stated that in future term sheet items, community facilities will be addressed. Also due diligence is needed for City departments to look at the fiscal impacts from the Treasure Island development build out including the impact of new physical facilities.

Director Elberling asked where the funding for an interpretive center is coming from.

Mr. Cohen stated that the developer has included in some of their figures for an interpretive center. One issue that will be delved into is to what extent TIDA should impose vertical development on the developer and to what extent is the developer given vertical development rights.

Director Elberling asked if any outside funds such as state park grants were anticipated.

Mr. Cohen stated the challenge has always been to build a financially self-sufficient project, however they intend to work towards obtaining funds for costs such as these. This would free up money for other public benefits.

Director Elberling stated that he hopes there is an attempt to secure outside funding for the areas that are serving a regional purpose and not just local serving.

Director Po-Rufino asked when in the process will a decision be made on the ferry terminal location.

Mr. Cohen stated the planning exercise envisions the ferry terminal on the eastern side of the Island. Staff continues to engage the WTA and others in discussions about alternative approaches. At the end of the day, the final land use plan will be a core element of the term sheet, which should resolve the location issue. All studies done thus far have been based on the operating assumption that it will be located at Pier 1, but staff continues to explore the feasibility and relative benefits of an alternative location.

Public Comment

Ms. Ruth Gravanis stated that it would be helpful to provide the audience with paper copies of Power Point presentations as well as take into consideration font sizes for such presentations when displayed on a screen. Stated she'd like to see a map of recycled water distribution that indicates the end points of this system, also stated she doesn't think that recycled water needs to go to the residential areas. Would like to hear discussion of using recycled water for fire fighting. Stated she couldn't tell from cost estimates if the wetland treatment was included in the storm drain system, this is definitely a part of the Island utility system.

Ms. Eve Bach, ARC Ecology, stated that she hopes the Board considers the extent to which the Island is a destination for visitors that doesn't depend on cars. Board should ask why a boulevard with directional separated lanes of 15 feet each, which are lanes built for speed, is the main arterial in this plan. CAB had a good discussion on this last night, hopes the Board links the vision for the Islands to the infrastructure being presented, particularly with how the roads fit in with how people are expected to arrive at the Island as well as move around once on the Island.

13. Director Cheng requested that staff follow-up on the various items requested throughout the course of the meeting.

14. Director Fazande motioned for adjournment
Director Po-Rufino seconded the motion
The meeting was adjourned at 4:33 PM



TREASURE ISLAND DEVELOPMENT AUTHORITY
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TREASURE ISLAND DEVELOPMENT AUTHORITY
MEETING AGENDA
February 9, 2005 1:30 P.M.

DOCUMENTS DEPT.

Room 400, City Hall
1 Dr. Carlton B. Goodlett Place

FEB - 4 2005

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Susan Po-Rufino, Vice-Chair
Jared Blumenfeld
John Elberling

William Fazande
Monique Moyer
Marcia Rosen
Supervisor Chris Daly (*ex-officio*)

Tony Hall, Executive Director
Peter Summerville, Commission Secretary

ORDER OF BUSINESS

1. Call to Order and Roll Call
2. Report by the Executive Director (*Discussion Item*)
 - Report on access to Treasure Island including public use last month
 - Report on short-term leases
 - Report on San Francisco-Oakland Bay Bridge/Caltrans issues
 - Report on Treasure Island community issues
 - Legislation/hearings affecting Treasure Island
 - Financial report
 - Other
3. Response to Previous Requests for Information by Directors (*Discussion Item*)
 - Grant summary including fuel-cell ferry
 - On-Island water usage

- TIDA vehicle inventory
 - 4. Report by Mayor's Office of Base Reuse and Development (*Discussion Item*)
 - Status of negotiations with U.S. Navy
 - Status of environmental clean up
 - Status of master development planning process
 - 5. Communications (*Discussion Item*)
 - 6. Report by the Treasure Island/Yerba Buena Island Citizen's Advisory Board (*Discussion Item*)
 - 7. Ongoing Business by Directors (*Discussion Item*)
 - 8. General Public Comment (*Discussion Item*) ***In addition to General Public Comment (Item #8), Public Comment will be held during each item on the agenda.***
-

9. CONSENT AGENDA

All matters listed hereunder constitute a Consent Agenda, are considered to be routine by the Treasure Island Development Authority Board and will be acted upon by a single vote of the Authority Board. There will be no separate discussion of these items unless a member of the Authority Board so requests, in which event the matter shall be removed from the Consent Agenda and considered as a separate item.

- a.) Approval of Minutes of January 12, 2005 Meeting (*Action Item*)
- b.) Resolution Authorizing an Amendment to the South Waterfront Master Lease Between the Authority and the Navy to Extend the Term of Such Master Lease Retroactively from December 2, 2004 to December 1, 2005 and to Allow the Navy to Reinstitute Common Area Maintenance Charges in the Event that the Navy Provides Certain Services Consistent with the Caretaker Services Described in the Cooperative Agreement between the Authority and the Navy (*Action Item*)
- c.) Authorizing an Amendment to the Marina Master Lease Between the Authority and the Navy to Extend the Term of Such Master Lease Retroactively from December 2, 2004 to December 1, 2005 and to Allow the Navy to Reinstitute Common Area Service Charges in the Event that the Navy Provides Certain Services Consistent with the Caretaker Services Described in the Cooperative Agreement Between the Authority and the Navy (*Action Item*)
- d.) Authorizing an Amendment to the Land and Structures Master Lease Between the Authority and the Navy to extend the term of Such Master Lease Retroactively From December 2, 2004 to December 1, 2005, to Allow the Navy to Reinstitute Common Area Service Charges in the Event that the Navy Provides Certain Services Consistent with the Caretaker Services Described in the Cooperative Agreement between the Authority and the Navy, and to Add Building 201 to the Leased Premises (*Action Item*)

- e.) Authorizing an Amendment to the Event Venue Master Lease Between the Authority and the Navy to Extend the Term of Such Master Lease Retroactively from December 2, 2004 to December 1, 2005 and to Allow the Navy to Reinstitute Common Area Service Charges in the Event that the Navy Provides Certain Services Consistent with the Caretaker Services Described in the Cooperative Agreement Between the Authority and the Navy (*Action Item*)
-

10. Resolution Authorizing the Executive Director to Enter Into a 12 Month Sublease with Voice of Pentecost, Inc. For Use of Hangar 3 for Film Production, from April 1, 2005 through March 31, 2006 at \$17,372.04 per Month, with the Right to Negotiate to Extend the Term For Six Additional Terms of Up To 12 Months Each, Subject to Board of Directors Approval of Each Extension (*Action Item*)
11. Resolution Authorizing the Executive Director to Negotiate and Execute an Amendment to the Sublease between the Authority and California Engineering Contractors, Inc. to Accept Payment of Back Rent in the Amount of \$129,524.60 and Retroactively Amend and Reduce the Leased Premises and the Rent Thereon to \$5,916.67 per Month (*Action Item*)
12. Discussion of Proposed Memorandum of Understanding between the Treasure Island Development Authority and the San Francisco Film Commission for the Lease of TIDA Facilities for Film and Video Production (*Discussion Item*)
13. Presentation of Environmental Clean-up Cost Estimates Prepared by CH2M Hill (*Discussion Item*)
14. Discussion of Draft Infrastructure Plan (*Discussion Item*)
15. Discussion of Future Agenda Items by Directors (*Discussion Item*)
16. Adjourn

Relevant documents such as resolutions, staff summaries, leases, subleases are available at the Treasure Island Development Authority Office, 410 Avenue of the Palms, Building 1, Treasure Island, and the Government Information Center at the Main Library, 100 Larkin Street. Public comment is taken on each item on the agenda.

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The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing devices.

Lobbyist Ordinance

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign and Governmental Code 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site <http://www.sfgov.org/ethics/>.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

For more information on your rights under the Sunshine Ordinance [Chapter 67 of the San Francisco Administrative Code] or to report a violation of the ordinance, contact Donna Hall by mail at Sunshine Ordinance Task Force at City Hall, Room 409, 1 Carlton B. Goodlett Place, San Francisco, CA 94102-4683. The Task Force's telephone and fax numbers are (415) 554-7724 and (415) 554-5163 (fax) or by email at Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org/bdsupvrs/sunshine/ordinance.

Notes



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January 11, 2005

Tony Hall, Executive Director and
Treasure Island Development Authority
Board of Directors
City Hall Room 400
1 Dr. Carlton B. Goodlett Place,
San Francisco, CA 94102



Re: Treasure Island Fuel Cell Ferry

Dear Director Hall and Board of Directors,

Nearly two years ago, Treasure Island Development Authority (TIDA) joined with the Water Transit Authority (WTA), the San Francisco Department of the Environment and Bluewater Network to announce \$2.5 million in federal funding secured by Rep. Nancy Pelosi to construct the world's first fuel cell ferry on San Francisco Bay. The press release is attached. Since then, the ferry design and technology requirements have been completed. Unfortunately, the vessel has not yet been built due to federal administrative requirements related to operational funds.

Bluewater Network is writing to seek the support of the Treasure Island Development Authority to help remedy the situation and expedite the construction of the vessel. Bluewater Network is a non-profit environmental organization based in San Francisco that promotes policy and technology solutions for clean water transit and other transportation.

A letter or resolution from TIDA releasing the fuel cell ferry from its exclusive operational jurisdiction would allow the Water Transit Authority to locate an alternative operator until such time as it can be operated by Treasure Island, its developers or sub-contractors. At this time, there is no commitment for operating funds from entities associated with Treasure Island. Because the federal earmark for the project was associated with Treasure Island, federal agencies will not release the construction funds for the vessel until Treasure Island commits to operating the vessel or another operator is identified, according to the Water Transit Authority.

The Water Transit Authority says it currently does not have its own funding to operate the fuel cell ferry. However, staff from the WTA has indicated that other existing San Francisco Bay Area ferry operators may be interested in testing and operating the vessel once it is built. It could be tested on various routes by such an independent operator or operators, including runs to Treasure Island.

The fuel cell ferry is intended to be a demonstration vessel that would prove the viability of non-diesel propulsion systems in passenger commuter ferries. The ferry would be fitted with fuel cells as well as batteries, back-up generators and solar panels to provide propulsion power and on-board electricity. The fuel cells would run on hydrogen and the back-up generators could operate on biodiesel or other alternative fuels.

With World Environment Day in San Francisco less than six months away, it is very timely for the agencies involved to revitalize the fuel cell ferry project and prevent it from languishing indefinitely on paper. While the vessel can't be built in time for World Environment Day, the vessel's design and technology could be featured at events at Treasure Island or elsewhere in the city to demonstrate San Francisco's on-going leadership in green development and transportation.



Once again, Bluewater Network urges TIDA to release its exclusive jurisdiction over the operation of the fuel cell ferry boat and allow the Water Transit Authority to identify operators and start building this exciting green ferry as soon as possible. A letter or resolution from TIDA would accomplish this quickly.

Please consider putting this issue on your next possible agenda, if needed. Bluewater Network would also be happy to make a presentation to directors and staff about this project.

Sincerely yours,

Teri Shore

Clean Vessels Campaign Director

Cc:

Mayor Gavin Newsom

Steve Castleberry, Executive Director, Water Transit Authority

Jared Blumenfeld, Director, Department of the Environment

WATER TRANSIT AUTHORITY

WTA

FOR IMMEDIATE RELEASE

Date: February 20, 2003

Contact: Heidi Machen

415.291.3377 ext. 3189

CONGRESS FLOATS FUEL CELL BOAT WITH \$2.5 MILLION

(SAN FRANCISCO, CA) – The Water Transit Authority (WTA), a regional transit agency, announced today that it was awarded \$2.5 million in federal funds to build the world's first fuel cell powered commuter ferry.

The WTA's Manager, Marine Engineering, Mary Frances Culnane said, "This is an exciting opportunity for the Bay Area to lead the world in reducing the ferry industry's reliance on foreign oil while simultaneously relieving the environment of toxic pollutants and smog. The way things are going, by 2020, fuel cells should be as common as personal computers."

The \$2.5 million grant was secured as an earmark in the Omnibus Appropriations Bill with the leadership of Representative Pelosi, Senators Boxer and Feinstein. The money will pay for building a 49-passenger boat to serve Treasure Island, one of the 7 new ferry routes the WTA has recommended around the Bay based on future ridership demand.

Fuel cell propulsion technology involves pumping hydrogen and oxygen into a fuel cell that converts it into efficient energy to run the electric motor. The only emissions are water vapor and heat. The heat is absorbed through the engine so that there is no displaced heat or vapor into the bay. The Water Transit Authority is looking into the future possibility of using wind wave and sun power on Treasure Island to produce hydrogen for the fuel cells.

WTA Board President, Charlene Haught Johnson said, "We appreciate the entire team who helped to obtain funding for the boat, itself, including the leadership of the Bay Area Congressional Delegation, Bluewater Network, and the City of San Francisco's

Department of the Environment." The WTA is currently discussing possibilities for public/private partnerships to supplement this grant by paying for the fuel cells, batteries, hydrogen storage facilities, and hydrogen supply.

"Thanks to Leader Pelosi, the world's first solar-assisted fuel cell passenger vessel will be showcased here on San Francisco Bay," added Russell Long, executive director of Bluewater Network, a national advocacy group headquartered in San Francisco. "This will set a new standard for water transit around the planet."

Jared Blumenfeld, Director of the San Francisco City and County Department of the Environment said, "The department is committed to making San Francisco the country's first hydrogen-powered city. The WTA's good work toward building the first hydrogen fuel cell ferry will push us toward that goal."

Approximately one year ago, the Federal Highway Administration awarded \$100,000 to the WTA to create a detailed design of the fuel cell vessel. That design will be completed in the Spring of 2003. The WTA expects to secure the next round of federal funding within 6-8 months. Once that money is available, the WTA can sign a contract with a boat builder and begin running the anticipated one-year clock required to build the boat. The WTA expects the boat could be ready to sail by as early as 2006, if other funding and necessary approvals are secured.

In October 1999, the State of California formed the San Francisco Bay Area Water Transit Authority (WTA), a regional agency mandated to create a plan for new and expanded water transit and related services in San Francisco Bay. The Authority's mission to build and operate a cost-effective, convenient and environmentally responsible ferry system will increase regional mobility within the Bay Area.

###



1085 Market Street #215
San Francisco, CA 94103
415.431.BIKE
415.431.2468 fax
www.sfbike.org

PROMOTING THE BICYCLE FOR EVERYDAY TRANSPORTATION

January 28th, 2005

Claudine Cheng, Chair
Board of Directors
Treasure Island Development Authority
410 Palm Avenue
Treasure Island
San Francisco, CA 94130



Re: Bay Bridge West Span Bicycle/ Pedestrian/ Maintenance Pathway

Dear Ms. Cheng,

I am writing on behalf of the 4500 members of the San Francisco Bicycle Coalition to request TIDA's support for our campaign to request that the Metropolitan Transportation Commission and State Legislature fund a shore to shore non-motorized pathway on the San Francisco- Oakland Bay Bridge.

The San Francisco Bicycle Coalition is a non-profit organization dedicated to promoting the bicycle for everyday transportation. Our top priorities are the creation of a citywide bicycle network, improved access to regional and citywide transit, and direct bicycle access to the Bay Bridge. Bicycling in San Francisco is more popular than ever, and, according to the US Census, doubled between 1990 and 2000.

As you know, the new East Span of the Bay Bridge will include a bicycle/ pedestrian/maintenance pathway between Oakland and Yerba Buena Island, allowing East Bay and TI/ YBI residents new pedestrian or bicycle options. However, the funding has not been identified to extend the pathway to San Francisco along the West Span. A comprehensive \$2 million feasibility study released in May 2001 found that constructing a pair of cantilever pathways on the upper deck of the Bay Bridge between YBI and San Francisco is feasible and would have multiple transportation, recreation, and financial benefits to the Bay Area. The cost is estimated at approximately \$200 million, a significant amount, yet to put it into perspective, this is only 4% of the \$5 billion price tag of the East Span replacement project.

A shore to shore pathway would benefit the tourism industry, reduce bridge maintenance costs, improve motorist safety, reduce congestion, increase bridge capacity, and of course provide a lifeline connecting Treasure and Yerba Buena Islands with the East and West Bay. These benefits are further articulated on the attached fact sheet.

We would appreciate the opportunity to come and give a presentation to your commission regarding our proposal, and ask you to consider signing on to our platform asking the MTC and the State to fund the West Span Pathway out of any toll increase expenditure plan.

We also understand that the Treasure Island Development Commission is in the midst of a redevelopment planning process for Treasure and Yerba Buena Islands. We appreciate that accommodation is made for bicycles as part of the street plan, and would be happy to review the specifics and provide feedback based on best practices for bicycle facility design.

In addition to planning for future connections with the East Span pathway on Yerba Buena, we also request that the plan consider connections to a future West Span pathway. Details from the West Span Pathway Feasibility Report, completed in May 2001 by a consultant team led by CH2MHILL, include details about this connection that should be referenced in your plan. (excerpt below)

D.1.2 Bikeways

The new east span of the Bay Bridge will include a bikeway, allowing bicycle travel from Oakland and other parts of the East Bay to YBI and TI. The exact configuration of the connection of this bikeway to YBE has not yet been determined. A connection from the Bridge to the bikeway system on the islands will be included in the project. This connection is currently anticipated to be a Class 2 or Class 3 bikeway on Macalla Road.

We very much appreciate your efforts to improve Yerba Buena and Treasure Islands, and believe that a shore to shore pathway on the Bay Bridge would be a gigantic leap forward in providing basic access to the islands, and, of course, between San Francisco and Alameda Counties.

We would also like to request a commitment from your commission that the Bicycle Coalition, and the City's Bicycle Advisory Committee be consulted in all planning that affects bicycle use on the Islands.

Thank you for considering our requests. We look forward to working with you to improve transportation to and on TI/ YBI.

Sincerely,



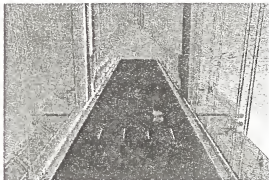
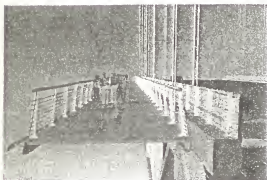
Josh Hart
Program Director



Bay Area Bicycle Coalition

The Case for Investing in a Bicycle/ Pedestrian/ Maintenance Pathway on the West Span of the Bay Bridge

Contact: Josh Hart, Bay Area Bicycle Coalition Josh@sfbike.org 415-431-BIKE ext. 23



The Bay Bridge, opened to traffic in 1936, was a glorious engineering achievement. Unfortunately it was built with a major design flaw - no accommodation was made for bicycle and pedestrian traffic, such as on the popular twin pathways of the Golden Gate Bridge. Between 1936 and 1959, autos were limited to 6 lanes on the upper deck, with intercity and regional rail sharing the lower deck with truck traffic. Between 1959 and 1963, General Motors, other auto industry companies and local traffic engineers succeeded in eliminating the rails and opening up ten lanes to general automobile traffic, in line with a coordinated destruction of urban rail systems all around the Country.

Lately, the Bay Bridge has been making front-page news, as reports emerge of the massive cost overrun for the replacement East Span of the Bay Bridge, now estimated to cost a total of \$5 billion, or \$3.7 billion over initial Caltrans estimates. There has been discussion of raising bridge tolls to cover the shortfall; indeed the Governor and Southern Californian legislators are resistant to assisting the Bay Area with the shortfall. It appears that this has become a regional problem that will require a regional solution.

During the planning process for this unprecedented engineering project, a strong alliance of cycling, pedestrian, and environmental groups successfully lobbied for inclusion of a multi-use pathway that would also serve as emergency and maintenance access to the East Span. This pathway, however, will only extend from Oakland to Yerba Buena Island, not all the way to San Francisco.

Responding to public pressure to achieve shore-to-shore bicycle and pedestrian access, in 1999 Caltrans and the Metropolitan Transportation Commission hired a team led by the engineering firm CH2MHill to prepare a \$2 million feasibility study to look at adding a cantilever structure to the existing West Span. The study, released in May 2001, concludes that adding such a structure is feasible, and would provide many benefits to Caltrans and to the traveling public at large. The cost estimate for the lower cost, lightweight option, is estimated at \$160 million. There is currently no funding set aside for this project.

Proposal: Include the West Span Path in a Regional Gas Tax or Toll Increase

Bicycle/ Pedestrian access is not an amenity- it is an essential transportation facility and should be included as part of the current Bay Bridge projects. A cantilever bike/ pedestrian/ maintenance pathway on the West Span would:

- **Benefit the Traveling Public by:**
 - Providing bike/pedestrian access between the East Bay and SF
 - Cutting gridlock during peak hours by providing for a transportation alternative on the Bay Bridge (the only measure that would be made to increase capacity on the existing structure)
 - Relieving bicycle and passenger loads on BART and AC Transit
 - Reducing worker injuries and fatalities, and property damage (many collisions take place within construction zones) by allowing maintenance to be based on the pathway, eliminating the need for many lane closures
 - Reducing delays caused by lane closures for maintenance
 - Capitalizing on an investment already made to provide bike/ pedestrian access between Oakland and Yerba Buena Island
- **Provide financial benefits to the region:**
 - Reducing maintenance costs through more efficient labor utilization (\$263,000 each year according to the CH2Mhill report)
 - Reducing congestion
 - Reducing liability for injured Caltrans workers
- **Benefit emergency response efforts by:**
 - Providing a vital, alternative access route if BART is shut down due to natural disaster, terrorism, mechanical failure, or strike
 - Providing access for small emergency vehicles (Cushman-type)
 - Providing a safety refuge for motorists who break down
- **Benefit the Tourism Industry by:**
 - Providing unparalleled views of the San Francisco skyline and the Bay to pedestrians and cyclists
 - Completing a longstanding gap in the regional Bay Trail
 - Enhancing the Embarcadero Promenade
- **Enhance the redevelopment of the Embarcadero Promenade by:**
 - Providing an elevator to the deck of the Bay Bridge, and thus a new and unique tourist destination
 - Generating new life around the San Francisco footings of the Bay Bridge, currently a rather barren area.
- **Benefit residents of and visitors to Treasure Island by:**
 - Providing non-motorized access directly to the island, especially important as lifeline transport for the many low-income residents planned to inhabit affordable housing
 - Increase visits to Treasure Island by linking to the regional Bay Trail



METROPOLITAN
TRANSPORTATION
COMMISSION

San Francisco Oakland Bay Bridge West Span Bicycle/Pedestrian/Maintenance Pathway Feasibility Study

Project Fact Sheet

Project Purpose

The Metropolitan Transportation Commission (MTC) and the California Department of Transportation (Caltrans) completed the study to evaluate building a pathway facility on the west span of the San Francisco Oakland Bay Bridge (SFOBB). The pathway would be a continuation of the bicycle/pedestrian pathway designed for the proposed new replacement bridge from Oakland to Yerba Buena Island (the east span). The project limits for this feasibility study extend from Yerba Buena Island to San Francisco on the SFOBB west suspension spans of Interstate 80. The purpose of this study was to determine if adding a pathway facility to the existing west span structure is technically feasible, and to develop a cost estimate for such a facility. The results of the study have determined it is feasible to construct a pathway on the west span. Two alternative pathway designs have been included in the feasibility study for consideration by the MTC.

Where to Review the Study

Copies of the complete study will be available in June for your review at the following locations:

- ♦ Main Library, Oakland, CA
- ♦ Main Library, San Francisco, CA
- ♦ MTC Library, Oakland, CA
- ♦ Caltrans District 4 Library, Oakland, CA

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The feasibility study executive summary is available at:

www.dot.ca.gov/dist4/bbikepathph.htm

or

www.mtc.ca.gov

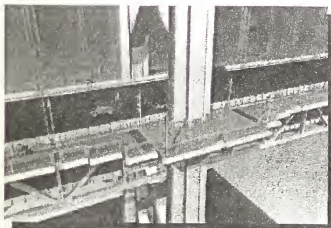


Figure 1. - Alternative 1

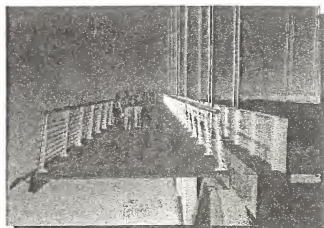


Figure 2. - Alternative 2

Project Description and Cost Estimates

The study process has developed two design alternatives. Both alternatives would construct 12 to 15 foot wide pathways on both sides of the upper deck, with bi-directional traffic flow. Alternative 1 (see Figure 1) utilizes a design that blends with the architecture of the bridge and continues the visual themes of the existing bridge. The scheme for Alternative 2 (see Figure 2) is characterized by a modern, state-of-the-art architectural concept and is designed to be as light-weight as possible. To minimize the deflection of the bridge and to maintain existing vertical clearances, Alternative 1 will replace the existing lower deck of the bridge with a lighter-weight steel deck, adding to the project cost. Alternative 2 addresses maintenance of vertical clearance by utilizing lightweight materials and vertical cables that lift the bridge deck. The duration of construction for both alternatives is approximately 34 months following funding, environmental approvals, and design.

Table 1 provides a summary of capital cost estimates to implement the conceptual design alternatives. The costs are shown by the three sections of the bridge; the San Francisco Approach, Main Span, and Yerba Buena Island (YBI) Approach.

Table 1 - Capitol Cost

<ul style="list-style-type: none">♦ Alternative One - Deck Replacement:<ul style="list-style-type: none">♦ San Francisco Approach♦ Main Span♦ YBI Approach	<p>\$214M \$340.4M \$24.9M</p>
<ul style="list-style-type: none">♦ Alternative Two - Lightweight:<ul style="list-style-type: none">♦ San Francisco Approach♦ Main Span♦ YBI Approach	<p>\$21.4M \$114M \$24.9M</p>
Total \$367M*	
Total \$160M*	

*All costs are at present year value (2001).

Next Steps

With the feasibility study complete, the MTC, acting as the Bay Area Toll Authority (BATA) will review the study findings to determine the project's feasibility, practicality, and fundability in relation to other regional projects. Should this project move forward, complete environmental review and project development would need to be performed to fully design the project for construction. Additional opportunities for public comment would be available during the environmental and design process.

What is Capital Cost?

The capital costs displayed in Table 1 include:

- ♦ Environmental Assessment
- ♦ Engineering Design
- ♦ Environmental Review & Permitting
- ♦ Right-of-Way
- ♦ Construction Costs
- ♦ Construction Management

Plans for new Bay Bridge include an incomplete path for cyclists and pedestrians

By Jeannette Huang

Imagine bicycling or walking across the new Bay Bridge, the wind in your face, the panorama of the bay, San Francisco majestically coming into view — and then the path abruptly stops midway across the bay.

That's the scenario facing East Bay cyclists and pedestrians traveling to San Francisco on the bridge.

One bright spot in the recent debate over the controversial "skyway on stilts" design for the new Bay Bridge is planners haven't entirely forgotten the folks who don't drive. The east span of the bridge, between Oakland and Yerba Buena Island, is still slated to include a 15-foot-wide bicycle and pedestrian pathway, to be built between 2001 and 2013.

The west span is a different story. It has the conceptual approval but no funding.

"In May of 2001 [the California Department of Transportation] and the Metropolitan Transportation Commission conducted a feasibility study on shore-to-shore bike access," Caltrans spokesperson Lauren Wonder told the *Bay Guardian*. "A bike path on the west span was found to be feasible. But it is up to MTC to determine whether funding is available to complete the project."

MTC also serves as the Bay Area Toll Authority, which administers money collected from drivers crossing state-owned toll bridges in the region. But MTC has its own problems.

"Because of the size of the Bay Bridge

project and the retrofits and other issues, there is currently no excess revenue from the existing toll stream," MTC spokesperson John Goodwin said. "Should excess revenue become available, the west span will be an eligible entity for funding."

One bright spot in the recent debate over the controversial "skyway on stilts" design for the new Bay Bridge is planners haven't entirely forgotten the folks who don't drive.

An estimated \$200 million is needed to add a bike and pedestrian path to the west span, which the San Francisco Bicycle Coalition and environmental lobby groups are fighting for. They say the price tag is a drop in the ocean when the east span is already costing \$5 billion.

"It's ironic because bike and pedestrian access is the cheapest way to increase capacity on this very busy corridor," SFBC program director Josh Hart told us. "Two hundred million dollars is only 4 percent of the east span total cost to date. It's not that hard to raise the funds, say the commuter toll does go up to \$4. One possibility is to extend the period of higher toll charges, maybe from 60 to 65 years. The difference to commuters will hardly be noticeable."

Increased construction costs will also be offset by long-term savings. The 2001

feasibility study by Caltrans and MTC cites an estimated annual savings of \$263,000 in maintenance costs because the bike pathway will enable Caltrans workers to make repairs safely and reduce the need to close traffic lanes for road work on the bridge.

both locals and visitors can enjoy. Shore-to-shore bike access would significantly move the Bay Trail project, a planned 400-mile network of bicycling and hiking trails, toward completion by linking the Embarcadero Promenade and Treasure Island and creating a new tourist attraction.

Politicians are lending their support to the effort, albeit cautiously. "Sen. Carole Migden has sponsored legislation in the past, in relation to bicycle access across the Bay Bridge," Alan Lofaso, Migden's chief of staff, told us. "She is in favor of shore-to-shore bike access, in principle." Likewise, assemblymember Mark Leno told us, "I am in full support of the movement for a shore-to-shore bike path."

Both politicians are among the leaders SFBC is now lobbying for support. But Hart said the key is public pressure, so he's urging those interested in getting involved to contact him at josh@sfbike.org or go to www.sfbike.org for more information. Either that or face the double embarrassment of a bridge that not only looks plain but also includes a bike and pedestrian path that goes nowhere. ♦

The number is probably going to be higher in reality, given the greater population density of West Oakland [than Marin]," Hart added.

There's also the draw of having a spectacular bike and walkway where people can actually pause to admire the panoramic bay views, something

E-mail news@sfg.com.

THE SAN FRANCISCO BAY

GUARDIAN

Congress of the United States
Washington, DC 20515

June 11, 1998

Jim Spering
Chairman
Metropolitan Transportation Commission
Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700

Dear Mr. Spering,

We are writing to encourage the Metropolitan Transportation Commission to follow the recommendation of its architectural advisory panel to incorporate bicycle-access lanes into designs of the replacement east span of the Bay Bridge during its meeting this month. We believe it will be a progressive decision that will benefit generations of Bay Area residents.


Bicycle lanes on the new east span will be the first step toward linking the East Bay and San Francisco by popular alternative transportation, while providing an exciting new recreation for visitors and weekend travelers. In a recent informal San Francisco Chronicle poll, respondents voted at a seven to one margin in support of bicycle and pedestrian access to the bridge. The Golden Gate Bridge is already a popular conduit for bicyclists, who often number more than 3,000 on weekends. The East Shore bicycle path from Albany to the Bay Bridge is currently under construction. The eventual possibility of biking from Oakland into The City will take some drivers off of our congested freeways, encourage the development of recreational open space on Treasure Island, and afford the public views of the entire region from the middle of the Bay that are not possible by car today.

While the west span and approach of the Bay Bridge are being retrofitted without bicycle lanes, bikes on the east span encourage that option — a decision MTC alone can make. While Mayor Willie Brown has discouraged public access to Yerba Buena and Treasure islands, bicycle lanes on the bridge will encourage The City's redevelopment authority to preserve open spaces and make them available to the public.

Bicycles on the new bridge will constitute one enormous step toward connecting the Bay Area as never before. The advisory panel voted 13 to 1 for a bicycle and pedestrian lane. We earnestly hope you will choose their counsel as you meet this month.

Sincerely,


GEORGE MILLER, M.C.


NANCY PELOSI, M.C.


ANNA ESKOO, M.C.

June 11, 1998

page two

Barbara Lee
BARBARA LEE, M.C.

Tom Lantos
TOM LANTOS, M.C.

Lynn Woolsey
LYNN WOOLSEY, M.C.

Pete Stark
PETE STARK, M.C.

Ellen Tauscher
ELLEN TAUSCHER, M.C.

Tom Campbell
TOM CAMPBELL, M.C.

Harvey M— Rose Accountancy Corporation

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 552-9292 • FAX (415) 252-0461

February 4, 2004

Mr. Tony Hall
Executive Director
Treasure Island Development Authority
410 Avenue of the Palms, Building 1, 2nd Floor
San Francisco, CA 94130

Dear Mr. Hall:

We have completed our review of Treasure Island Development Authority's financial condition, including a review of revenues and expenditures, and our assessment of internal controls and risk factors related to key business functions. Our review found that, with respect to the financial condition of the Treasure Island Development Authority (the Authority): (a) the Authority's financial condition has deteriorated rapidly since Fiscal Year 2002-2003 when it ended the year with a substantial fund balance of \$4.76 million; (b) that FY 2003-2004 reversed this trend by expending significantly more than its operating revenues, thereby decreasing the Authority's fund balance from \$4.76 million by \$3.332 million to \$1.428 million, a decrease of 70 percent in just one fiscal year; (c) that the Authority's financial condition is actually significantly worse than it is portrayed in the Authority's *Statement of Net Assets*, presented as a component unit in the City's Consolidated Annual Financial Report (CAFR) because it does not include an accounting of significant liabilities, namely accounts payable to the San Francisco Public Utilities Commission; and, (d) the current Fiscal Year 2004-2005 budget appears to be out of balance as the available fund balance plus budgeted revenues are less than budgeted expenditures. As a result of these findings, we recommend that the Authority's management take immediate steps to accurately determine the full extent of its liabilities, measure the status of current budget year expenditures and revenues and, take corrective action, such as liquidating unnecessary encumbrances for contractual services, in order to improve the Authority's financial health.

Mr. Tony Hall
Executive Director
Treasure Island Development Authority
February 4, 2004

Although the current management team is new, the Authority has had four years to move from an emerging organization to a mature enterprise. Yet, a number of significant weaknesses in internal controls and business processes were identified that hinder the Authority's abilities to address its legal and fiscal responsibilities. These weaknesses are discussed in detail after the discussion on the Authority's financial condition.

In total, our review has resulted in the formulation of 28 recommendations. Implementation of these recommendations is critical to provide the new management team with assurances of a sound financial condition and with management controls, coupled with sound business practices, that will assure effective and efficient management of the interim use of Treasure Island as it moves forward toward conversion.

Review of Financial Condition and Analysis of Revenues and Expenditures

Our review included an assessment of the audited financial statements from FY 1999-2000 through FY 2002-2003.¹ Additionally, our review included analysis of the Authority's revenue and expenditure detail for the last five years, including an analysis of the Authority's budget to actual variances for revenues and expenditures.

Lastly, we intended to prepare financial projections for the next three years based on historic trends. However, we found that such projections based on historical trends would not be meaningful to management at this time as prior year revenues have varied widely since the Authority's first year of operations, due to large swings in the leasing of Authority property for events and other activities. In addition, there has been no accounting of significant future expenditures for such items as professional services that will be necessary in order for the Authority to complete its negotiations with the United States Navy for the base conversion process. Without such an accounting, projections based on historical trends would be inaccurate and therefore would not be meaningful.

The Authority's Net Assets and Statement of Activities

Attachment I to this report provides a history of the Authority's Statement of Net Assets, included as a component unit in the City's CAFR. As shown in Attachment I, the Authority's Net Assets (which in this case are essentially fund balances available for expenditure in subsequent years) grew significantly during the four-year period ending June 30, 2000 through June 30, 2003, from a deficit of \$294,000 following the completion of FY 1999-2000, to a surplus of \$4.76 million at the close of FY 2002-2003.

The primary reason for the increases in the Authority's Net Assets from its inception through the end of FY 2002-2003 are displayed in Attachment II, which provides a four year trend in Statements of Activities from FY 1999-2000 through FY 2003-2004, which also includes a

¹ FY 2003-2004 audited financial statements have not been completed by the City's Controller's Office.

Mr. Tony Hall
Executive Director
Treasure Island Development Authority
February 4, 2004

preliminary analysis of FY 2003-2004. The FY 2003-2004 column is based on the closing report in the City's Financial Accounting system (FAMIS).

Attachment II shows that the primary reason for the Authority's early growth in Net Assets was the realization of net revenues for the first four years of its operation, as charges for services grew rapidly, even as operating grants and contributions (funded primarily by the US Navy) decreased considerably. However, as also shown in Attachment II, revenues declined sharply from the levels achieved in prior fiscal years (from \$10.338 million in FY 2002-2003 to \$7.691 million in FY 2003-2004), a decrease of \$2.625 million or 25.4 percent.

Despite the precipitous decline of operating revenues in FY 2003-2004, expenditures exceeded such revenues by a wide margin, indicating that management at that time did not closely monitor operating revenues and make expenditure adjustments accordingly. Consequently, the Authority's fund balance declined from \$4.76 million as of June 30, 2003 to \$1.428 million (the current estimate) as of June 30, 2004.

Lastly, the Statement of Net Assets provided in the City's CAFR appears to exclude a significant liability base on accounts payable by the Authority to the San Francisco Public Utilities Commission (PUC). This account payable, for water, wastewater treatment and electricity, has accumulated over the past four years. We have requested a detailed accounting of the amount owed by the Authority to the PUC, but such an accounting has not been provided as of the writing of this report. However, in testimony before the Board of Supervisors Finance and Audits Committee on December 15, 2004, the General Manager of the PUC stated that the amount owed by the Authority is "over \$4.0 million". However, our recent review of accounting information provided by the PUC indicates that the liability is close to approximately \$1.0 million. Clearly, a liability of this sum would indicate that the overall financial condition of the Authority is substantially worse than prior year CAFR's and the current estimated fund balance would indicate.

Analysis of Prior Year Revenues and Expenditures and Comments on Current Year Budget

Attachment III to this report provides a historical comparison of budget vs. actual revenues and expenditures for Fiscal Year 2000-2001 through 2003-2004. The far right column of Attachment IV shows FY 2004-2005 budgeted expenditures.

As shown in Attachment III, budgeted revenues were equal to or greater than budgeted expenditures and the Authority's actual revenues exceeded budgeted revenues while actual expenditures were less than budgeted expenditures for the period of FY 2000-2001 through FY 2002-2003. The growth in revenues over this period and the practice of balancing budgeted expenditures with operating revenues resulted in the growth of the Authority's net assets (not including the aforementioned accounts payable to the PUC) to \$4.76 million as of June 30, 2003.

However, beginning in FY 2003-2004, this trend was reversed. First, the Authority budgeted approximately \$12.56 million in net expenditures, despite only budgeting approximately \$9.6 million in operating revenues. Therefore, on a budgetary basis, the Authority's budget for FY

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2003-2004 contemplated the use of \$2.94 million, or 61.8 percent of the Authority's net assets of \$4.76 million as of June 30, 2003. However, contrary to prior years, the Authority experienced a significant revenue shortfall in FY 2003-2004 when operating revenues declined from approximately \$9.6 million in FY 2002-2003 to actual revenues of \$7.69 million in FY 2003-2004, a shortfall of \$1.91 million. Although actual expenditures were approximately \$1.5 million less than budgeted, the total shortfall in operating revenues at the end of FY 2003-2004 resulted in a decline in the Authority's Net Assets of approximately \$3.33 million, from \$4.76 million in FY 2002-2003 to \$1.428 million at the close of FY 2003-2004.

The last three columns of Attachment III present information on the Authority's FY 2004-2005 budget. The first, labeled "FY 04-05 Budget" was derived from revenue and expenditure budget information entered into FAMIS after the Authority's FY 2004-2005 budget was adopted. This column shows budgeted expenditures of \$10,260,661 and budgeted revenues of \$9,338,000, a revenue shortfall of \$922,661 based on the initial FY 2004-2005 budget. The next column, labeled "FY 03-04 Carryfwd" shows FY 2003-2004 prior year encumbrances for contractual services that have been carried forward to FY 2004-2005. The far right column labeled "FY 04-05 Total" combines original budget with carryforwards from the prior year.

Attachment III also shows that \$2.2 million of fund balance would be required to balance all budgeted sources of funds against budgeted uses of funds. However, since the FY 2003-2004 year end balance is estimated to be only \$1.428 million, the Authority's budget as approved by the Board of Supervisors and the Authority Board of Directors, and modified to reflect carryforward balances, would not be balanced, but would instead have a \$773,000 deficit. We do note however that the Authority's budget, when submitted to the Board of Supervisors, included an unreserved appropriation of revenue in the amount of approximately \$700,000, which would be expendable by the Authority.

We also found that the Controller routinely carry's forward encumbrances for contractual services unless instructed to liquidate such encumbrances. For FY 2003-2004, the Controller did not receive any instructions from the Authority and therefore carried forward all open encumbrances for contractual services.

We were also unable to review the current Fiscal Year's expenditures and revenues as FAMIS entries were delayed, payroll information is not available from the Redevelopment Agency and the Authority's internal Expenditure and Revenue Accounting spreadsheet were over six months out of date (see discussion of payroll processing and expenditure and revenue accounting below).

Attachment IV to this report displays the information provided in the Authority's FY 2004-2005 budget as submitted to the Board of Supervisors and open encumbrances carried forward from FY 2003-2004 provided by the Controller. Attachment IV shows a total of \$3.5 million in budgeted and carryforward contractual service encumbrances. Since there has been no management review of such encumbrances carried forward from FY 2003-2004, it is possible that the combined total of current year budgeted expenditures and carryforwards exceed remaining contractual authorizations and can therefore be reduced or liquidated.

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The Authority's management should perform a detailed review of the current year budget in order to measure the current financial status of revenues, expenditures and open encumbrances and take appropriate actions to assure that the budget is in balance, and that spending is controlled to stay within current operating revenues and the Authority's available fund balance. Wherever possible, spending should be curtailed and encumbrances liquidated in order to assure that the Authority maximizes its FY 2004-2005 year end balance in order to improve the overall financial condition of the Authority in the future.

Assessment of Internal Controls and Risk Factors Related to Key Business Functions

The purpose of this review was to assess internal controls and risk factors related to key business functions to determine if policies and procedures are sufficient to adequately safeguard, manage, and account for the Authority's assets. In performing this review, we interviewed staff, reviewed written policies and procedures, and examined relevant documents, including contracts, vendor files, financial spreadsheets and system reports. A number of findings were identified not only in key business processes, but also related to the Authority's critical role as custodian of Navy property. Further, weaknesses were identified that crossed key business functions. These weaknesses include extremely poor file management and a lack of current and comprehensive written policies and procedures that would facilitate efficient and effective processes and provide sufficient controls over the Authority's assets.

Payroll Processing

The Authority employees, effective July 22, 2004, were transferred from employment with the City and County of San Francisco to employment with the San Francisco Redevelopment Agency (SFRA) under an Agency Agreement approved by the Authority's Board of Directors on June 9, 2004. This action was intended to be an interim step moving the Authority toward employment of its own staff rather than through an intermediary agency. Accordingly, the term of the Agency Agreement is for six months and then continues on a month-to-month basis, but shall not exceed one year unless approved by both the Authority's Board of Directors and the SFRA Commission. SFRA will charge the Authority the cost of direct staff time used for processing the Authority's payroll as well as an overhead rate. The current Executive Director is directly employed and paid by the Authority rather than SFRA.

A review of the payroll process indicates that procedures are sufficient to provide reasonable assurance that payroll is being processed timely and accurately. Because of the limited staff at the Authority, monitoring employee hours is relatively simple. A review of historical timecards found that all timecards had formal authorization by either the Director or, on a few occasions, the Deputy Director. However, due to the transitory nature of the current agreement with the SFRA, the following significant issues were identified.

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Advanced Payroll Funding

As of the writing of this report, the Authority has not forwarded to the SFRA funding for payroll expenses incurred from July 1 to date although advance payment was set forth in the Agency Agreement between the Authority and SFRA. According to the Agency Agreement, the Authority was to transfer funding for the first quarter payroll from July 1, 2004 through September 30, 2004 within 30 days of the effective date of the agreement. For the remaining quarters, the Authority is obligated to provide advanced funding of the estimated payroll costs by the first day of the quarter, or by October 1, 2004, January 1, 2005, and April 1, 2005. According to the Authority staff, SFRA has not provided estimated payroll costs to the Authority and, therefore, the Authority has been unable to transfer advance funding. Thus, SFRA is fronting funding for the Authority's salaries and fringe benefit costs. According to SFRA staff, this amount as well as the administrative charges that are due are currently being calculated as well as the payroll advance for the first quarter of 2005.

Transition to Authority Employment

The Authority needs to address transition to employment of its own staff rather than through an intermediary agency. The transition should be separated into steps, including a needs assessment, development of alternatives, establishment of criteria for making key payroll process decisions, and creation of personnel policies and procedures. Timelines for these steps should be developed immediately to ensure that the process is not delayed, the best solution is identified, and that the issue is resolved before reaching a crisis. As part of this transition process, the process for paying the Executive Director should be incorporated to determine if efficiencies can be made.

Purchasing of materials, supplies and equipment

As a redevelopment agency, the Authority does not have to comply with City rules and regulations with respect to the purchasing process. Accordingly, the Authority processes transactions independently of the City's Office of Contract Administration and the Purchasing Division. On March 11, 1998, the Authority's Board of Directors approved Purchasing Policies and Procedures which provides guidelines to staff on the purchasing process. With respect to payment for materials, supplies, and equipment, the Authority also has written procedures for invoice processing. However, these procedures have not been formally adopted by the Authority's Board of Directors. Additionally, the Authority has developed internal requisition and payment forms with appropriate controls and authorizations. Review of the purchasing process as described by the Authority staff indicate that written procedures are sufficient to provide reasonable assurance that the purchasing of materials, supplies and equipment complies with the Authority's Purchasing Policies and Procedures and purchases receive appropriate authorization. However, specific areas of weakness were identified and are discussed in detail below.

Segregation of Duties

With the recent executive and financial management turnover, management should pay attention to segregation of duties issues in the purchasing and payment process. Specifically, any given

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staff person should not be able to authorize a transaction, record a transaction, and have physical custody of the item procured. Thus, operating staff should be responsible for actual purchasing and receiving of items, accounting and financial staff should be responsible for recording purchasing and payment activities, and executive staff should be responsible for authorizing all purchasing and payment activities. Based on our review, it appears these functions are appropriately segregated, but with such a small staff, executive staff should be cognizant of the importance of internal controls over the purchasing and payment process.

File Management

Several vendor payments were selected to review supporting documentation and file management. This review identified several instances where file documentation was either missing or was not adequate to support the underlying transaction. The exceptions identified were:

- One vendor file for Noah Griffin for marketing and press services was missing. While the contract and subsequent amendment was located, documentation of the vendor payments totaling approximately \$50,000 was not located.
- One vendor payment to Pestec Exterminator was for \$1,300, while the invoice was for \$1,600 and the encumbered amount noted on the payment form was \$1,200. The file contained no explanation for the variances.
- There were two files for one vendor, Virco Manufacturing Corp., which has had one transaction to date with the Authority. The purchase order was in one file; the invoice payment was in the second file.
- There were two files for one vendor using two separate vendor names, Falcon and GovtJobs.com.
- We found one transaction for \$32,310.25 paid to Toolworks for carpeting that appears to have three invoices stamped "Approved for Payment" and signed by the Authority staff. Two of the invoices are from one vendor, Toolworks, for the same amount, but one invoice specifies "Carpeting at Casa DeLa Vista" and the second invoice specifies "Verve Building Maintenance". The third invoice is from California Carpets for \$29,310.25, and appears to be a quote rather than an actual payment request. The supporting purchasing documents in the file support the selection of California Carpets, not Toolworks, and there is no explanation for the 1) change in vendor, 2) \$3,000 change in cost, and 3) two invoices from Toolworks that were each stamped and processed for payment by the Finance Manager. It should be noted that only one transaction for \$32,310.25 was actually processed and paid by the Controller's Office and we found no duplicate payments in our review of sample files.

Based on this review, the Authority staff should be more conscientious of creating and maintaining files, including providing sufficient documentation and explanation for any exceptions that occur such as payment that is more or less than authorized in the purchasing documents or stated in the invoice.

Work Orders

The Authority's work order expenditures are significant component of the Authority's budget. In FY 2003-2004, actual work order expenditures totaled \$9,384,490 or 70.1 percent of total

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expenditures. This amount is an increase of \$2,497,389 or 36.3 percent from FY 2002-2003 work order actual expenditure total of \$6,887,101. In FY 2004-2005, work order expenditures are budgeted to be \$7,575,428, a decrease of \$1.8 million primarily because the Authority has not budgeted for payment to the San Francisco Public Utilities Commission for utility services.² Because of their significance, the Authority should implement written policies and procedures for monitoring work orders, including the verification that services are not only received, but are also prudent and not excessive. Two work orders in particular should be monitored closely because of their magnitude: Public Works and the City Attorney which had actual expenditures of \$1,828,140 and \$540,324, respectively, in FY 2003-2004. Specific individuals, such as the Facilities Manager for Public Works and the Deputy Director for the City Attorney, should be assigned to monitor these activities on a regular basis, preferably monthly so that any issues that may be arising can be identified early.

Asset Management and Inventory Control

Asset management is critical for the Authority given its caretaker responsibilities for Treasure Island³ and it is in this area, along with facilities management discussed below, that is at present the Authority's greatest weakness in internal controls.

Authority Assets and Inventory

The Authority does not maintain an inventory of its fixed assets, nor does it have established policies defining fixed assets and procedures for fixed asset inventory control monitoring. The Authority has purchased significant fixed assets since its inception in FY 1999-2000, including:

- \$49,544 in FY 2001-2002 for computer equipment,
- \$39,706 in FY 2002-2003 for tables and chairs for special events,
- \$13,084 in FY 2003-2004 for a vehicle,
- \$1,189 in FY 2002-2003 for a fax machine
- \$18,411 in FY 2003-2004 for a sound system in the Chapel
- \$41,730 in FY 2003-2004 for office furnishings

These are physical assets that are at risk from loss or theft. The Authority should develop written policies and procedures for fixed asset tracking and monitoring. Such policies and procedures should include a monetary threshold for items that are not considered to be significant enough to warrant tracking. However, it should be noted in some instances, such as special events tables and chairs, items may be individually considered immaterial, but as a class or grouping, they are significant. While it is not feasible to track and monitor every chair or filing cabinet, these items

² The status of public utilities on Treasure Island pose significant risks both to the Authority as well as to the San Francisco Public Utilities Commission. The issue will be reviewed in detail during the ongoing management audit of the Public Utilities Commission which is being conducted by the Budget Analyst's Office.

³ Geographic references to Treasure Island also include approximately 115 acres of Yerba Buena Island which are anticipated to be transferred to the Treasure Island Development Authority along with the approximately 365 acres on Treasure Island proper.

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should be included on an inventory listing and an inventory count should be taken once a year. Due to the transitory nature of special events, equipment and furnishings related to these activities should be verified more frequently.

Navy Assets and Inventory

At present, the Authority remains the custodian of equipment, including vehicles, and furnishings left behind by the Navy. While ownership of these items has not yet transferred from the Navy to the Authority, the Authority retains the ability to use or lend these assets. Many of the assets are held in a large warehouse and consist of office furnishings such as desks, chairs, file cabinets, and obsolete computer equipment, as well as mattresses, bedding, refrigerators, and other miscellaneous items. According to the Authority staff, the Navy had a full-time warehouse manager and when the Navy vacated the premises, the Navy gave the Authority an inventory listing. Additionally, other equipment and furnishings are located in and at facilities throughout Treasure Island. These items have not been inventoried.

According to the Authority staff, while historically any items taken from the warehouse have been identified on a form and filed in a binder, this process has not been kept up. The binder contains the "TIDA Property Management Plan" which provided guidelines for management of Navy property when a Navy warehouse manager managed the warehouse inventory. However, these guidelines should still be applicable. While there is no longer a Navy warehouse manager, TIDA is responsible for managing this property. According to these guidelines, a master inventory list of all items "issued for re-use" should be maintained in both hard copy and electronic format. This listing does not exist. Further, the guidelines state that the Executive Director should approve all property transfers. However, a review of the binder indicates that the former Executive Director had not authorized any transfers during her tenure. Third parties who have borrowed these assets include City departments, the Treasure Island Homeless Development Initiative, and independent film crews. Further, break-ins to the warehouse and in other Treasure Island facilities, have resulted in damage and theft to an unknown amount of equipment and furnishings. Accordingly, the Authority does not know what Navy property has been transferred to third parties, is lost due to damage or theft, or remains in the warehouse and other facilities.

In mid-1999, the Authority started an inventory of Navy property by sending out listings to various agencies and City departments of items loaned by the Navy to such entities. However, the inventory process was never completed. The Navy listing of property was not reconciled, there was no formal compilation of the listings, and there was no formal resolution of items deemed missing. The Authority also inventoried vehicles using an inventory listing provided by the Navy to the Authority in April 2002. The Navy's listing of 86 vehicles was audited in 2001 and only two vehicles were identified as missing.

The Authority should immediately inventory all Navy property, including vehicles, furnishings and equipment at all facilities, not just the warehouse. The warehouse and vehicle inventories should be cross-checked with the Navy's inventory listing as well as any property removal forms. Any items found to be missing or damaged should be identified and steps should be taken

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to recover either such items or, at a minimum, compensation from the responsible agency or individual. Then, written policies and procedures should be developed for managing and monitoring the Navy's assets and should take into considerations any Navy requirements. Additionally, keys to vehicles, the warehouse and all facilities should be kept in a secure location and provided only to authorized individuals.

Facilities Management

According to the Authority staff, there has not been a dedicated Facilities Manager since early 2001. Since that time, the function has been assigned to various Authority staff. Given that the Authority is custodian and property manager of the Navy facilities, this is a critical role. However, because there has been no Facilities Manager, there is no inventory of facilities or facility conditions on Treasure Island. In fact, keys to facilities have been inventoried recently due to issues over control of the keys and a lack of protocol, which made keys difficult to locate at any given time. Further, the Authority has not developed an interim use plan to maximize use of these facilities prior to the transfer and development of Treasure Island.

Additionally, while the Authority is responsible for facilities and infrastructure, such as roads and landscaping, the Department of Public Works (DPW) actually performs the maintenance functions. However, there is no protocol at the Authority for identifying maintenance needs and monitoring DPW maintenance activities and related costs.

The Authority should inventory all facilities, conduct an assessment of facility conditions, develop an interim use plan, develop a maintenance program, and develop procedures for monitoring ongoing maintenance activities and costs of DPW services. These steps would allow the Authority to approach these facilities in a methodical and strategic way. Further, because of the cumbersome process to locate a potential leasee for a facility, obtain Navy approval for a facility lease, and then negotiate and enter into a facility lease, the above steps may allow the Authority to identify procedural efficiencies, such as obtaining pre-approval from the Navy to lease specific facilities to third parties for allowable uses.

Revenue Collections

Cash Receipts Process

Several issues were identified in the cash receipts process. First, there are no policies and procedures in place for monitoring payments so that the Authority is assured that all payments are received and are timely. The Special Events Coordinator is responsible for special events and film permit revenues. The new Facilities Manager has been given the responsibility for commercial facility lease revenues. However, there are revenues that are not delegated to any particular staff for payment monitoring. A review of deposits from January of 2004 through June of 2004 identified delinquent payments, including a payment of \$49,592 from Treasure Island Enterprises for "past due balance" and a payment of \$12,374 from Delancey Street Foundation for "past due account." The responsibility for timely monitoring of the receipt of revenues should be established and assigned to staff.

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An important control in cash handling is to log in checks and cash when received either through the mail or given directly to Authority staff. Then, a staff person independent of the initial receipt and deposit process should verify that all checks were deposited. While staff reports that the former Finance Manager used to review incoming mail logs, there has not been a staff independent of the deposit process to do a verification for the last six months. The Authority should establish procedures for staff independent of the deposit process verify that all checks and cash have been deposited. This segregation of duties would ensure that any missing checks or cash that were not deposited were identified and investigated and prevents any opportunity to illegally divert Authority revenues without being detected.

The Authority currently allows cash payments, although staff reports that cash is very seldom received. Because cash has a high degree of inherent risk, the Authority should establish a formal policy to no longer take cash payments and should only accept checks, money orders or cashiers checks made payable to Treasure Island Development Authority.

Finally, written policies and procedures should be updated to reflect current procedures and staffing and augmented with written procedures on file maintenance, payment monitoring, deposit verification, and cash policies.

Special Events

The rental of facilities for special events is managed by one Authority employee. The Special Events Coordinator, who is responsible for showing and renting the facilities to third parties, calculating deposit and fee amounts, scheduling, invoicing, recording the event and deposit and fee payments, processing deposit refunds, and arranging for access to the facility on the day of the event. For administrative ease, we do not recommend dividing activities to resolve segregation of duties issues. However, we recommend that the Finance Manager, on a regular basis, reconcile Special Events payment records with actual deposits and refunds, a calendar of events, and staff time worked on the days of those events.

The John Stewart Company Contract

The rental of housing units through the John Stewart Company is the largest single revenue source for the Authority. Housing revenues, almost all of which derive from the John Stewart Company, totaled approximately \$7,072,358 in FY 2003-2004, \$1,327,642 or 15.8 percent less than the \$8,400,000 in total revenues budgeted for the fiscal year. In FY 2004-2005, the Authority has budgeted \$7,880,000 for housing revenues, a decrease of \$520,000 or 6.2 percent from FY 2003-2004 budgeted revenues, but still more than actual total revenues received in FY 2003-2004. According to the Authority's budget documents, the revenue reduction is due to the "soft rental housing market." The average vacancy rate reported by the John Stewart Company for Treasure Island rental units was 8.3 percent for the second quarter of 2004, whereas the U.S. Census Bureau reports the San Francisco residential rental vacancy rate as 4.9 percent for the same period.

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Despite the significance to the Authority's financial health, there is not a dedicated staff person to monitor this revenue source. The John Stewart Company provides monthly statements with payment calculation detail and occupancy data as well as annual audited financial statements. However, there are no central contract files maintained by the Authority and staff had a difficult time locating the five years of audited financial statements, which were ultimately located in several different staff files. Additionally, reconciliation of payments to deposit records is difficult because monthly statements and remittance letters were not always included with deposit records. Further, in September of 2003, the Authority was notified by the John Stewart Company that significant audit adjustments dating back to 1999, 2000, and 2002 totaling \$308,833 would have to be made, indicating significant deficiencies in the John Stewart Company's calculations.

Monitoring monthly remittances and reports would allow the Authority to identify and address issues, such as occupancy rates or questionable expenditures, to verify the accuracy of payments received and contract compliance, and would ensure that revenues from the John Stewart Company are maximized. The Authority should assign the responsibility to the Finance Manager to become expert in the financial specifications of the John Stewart Company contract and to monitor financial compliance with the contract on a regular basis. The Facilities Manager should be responsible for the operating specifications of the contract and should monitor operating compliance with the contract on a regular basis.

Shared Revenues with the Treasure Island Homeless Development Initiative (TIHDI)

The Authority has a revenue sharing agreement with the Treasure Island Homeless Development Initiative (TIHDI) for housing units intended for TIHDI, but sub-leased by the Authority to the John Stewart Company for market-rate residential leasing. Under the agreement, TIHDI currently receives 40 percent of the percentage rent paid to the Authority by the John Stewart Company for rentals of the subject housing units. Because of the link to the John Stewart Company rental revenues, the Finance Manager should also become expert in this agreement and monitor financial compliance with agreement specifications.

Expenditure Contract Management

Professional services contracts are a significant portion of the Authority expenditures, comprising \$1,752,253 in FY 2003-2004 or 13.1 percent of total expenditures. Moreover, professional services contracts are the largest single expenditure in the Authority's budget with the exception of work order services performed by City departments. Historically, contract management was facilitated by the former Finance Manager. However, it appears there are no formal policies and procedures, other than those for purchasing and accounts payable, for contract monitoring. At present, contract management has not been delegated to any one individual staff at the Authority and, in some instances, contracts are managed by individuals who are responsible for the relevant programmatic areas such as for redevelopment planning and development negotiations. Finance staff does maintain a spreadsheet of pertinent data and information on current professional services contracts, such as contractor name, contract amount, term and insurance information. However, a review of the spreadsheet identified several

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contracts that had expired and had not yet been renewed as well as insurance certificates that had been expired and not updated.

As the Authority moves toward the transfer of federal property and redevelopment activities, the use of professional services contracts will increase. The Authority should develop written policies and procedures for monitoring contract status. These policies and procedures should include verifying service delivery, monitoring payments, ensuring insurance requirements are current and maintained, and ensuring that contracts are entered into and are extended, if necessary, in a timely manner (i.e. before services are utilized and expenditures are incurred.).

Expenditure and Revenue Accounting, Recording, and Management Reporting

Finance Manager's Excel Spreadsheets

The former Finance Manager developed detailed transaction spreadsheets to track and monitor the Authority's revenues and expenditures. According to current staff, these spreadsheets were used to prepare monthly financial status reports for the former Executive Director and other staff. According to staff, the former Executive Director, in turn, provided a verbal monthly financial report to the Board of Directors by reading the Finance Manager's report.

Our review found that the spreadsheets were not complete and accurate, containing errors and omitting significant expenditures. For example, in FY 2002-2003, the spreadsheets reported \$1,547,937 in non-personnel expenditures (excluding work orders), whereas the City Controller's financial accounting system FAMIS reported \$1,643,097, a variance of \$95,160 or 5.8 percent. The spreadsheets excluded over \$50,000 paid to Noah Griffin for marketing and press services and other expenditures and contained errors that provided inaccurate expenditure totals.

These spreadsheets are useful management tools only if they are complete, accurate, and timely. The new Finance Manager should develop new spreadsheets to meet the Authority's needs in terms of financial analysis and monitoring budget to actual revenues and expenditures. Further, prior year spreadsheets should be corrected and completed in order to be able to conduct analysis across fiscal years. To do this, the Authority should request the Controller to re-issue April, May and June of 2004 transaction reports which could not be located by the Authority.

Accounting for Deposits

Deposits paid by third parties for facility rentals and held by the Authority are recognized as revenue when they are deposited and posted to the accounting records. However, according to Generally Accepted Accounting Principles (GAAP), this is inappropriate treatment. Deposits are not revenues, but rather are cash held temporarily as security and refunded once an event is over. While records of deposits should be kept for each special event, deposit totals should not be aggregated and treated as revenues. At any given time, the Authority does not readily know deposit totals. The Authority finance staff should work with the Controller's Office to appropriately set up accounting for these transactions and to establish a ledger for tracking deposits.

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Job Descriptions and Delegation of Responsibilities

During our review we noted that there has been turnover in staffing, shifting of job functions, and unclear lines of responsibilities. For example, the Project Coordinator position is also the community liaison and has assumed responsibility for the warehouse inventory as well as emergency planning for the island. The Authority's website also identifies this person as a "Marketing Coordinator." Job descriptions developed for the SFRA also noted that this position "interfaces with myriad City agencies providing services to the Island and to residents, including DPW, PUC, Fire, Police and Muni" and "Assists with Special Events and permitting." An organization chart shows this position reporting to the Project Administrator who serves as the office manager and finance assistant. However, the Project Coordinator reports that she is directly responsible to either the Executive Director or the Deputy Director.

In part, the informality of job functions and reporting and supervisory relationships has resulted in many of the weaknesses identified above. The Authority should develop new job descriptions and responsibilities for each position given the Authority's objectives of 1) property management, 2) negotiating the transfer of federal property, and 3) long-range planning and development of Treasure Island. These job descriptions should clearly define job tasks and areas of responsibility. Further, goals and objectives should be developed for each staff for the coming year and annually thereafter.

Recommendations

The following are recommendations:

1. The Authority's new Finance Director should review all current year actual revenues and expenditures to determine the financial status of the Authority and to re-establish the Authority's management controls over its budget.
2. Wherever possible, management should reduce spending and liquidate encumbrances for contractual services in order to improve the overall financial condition of the Authority in the future.
3. In coordination with the San Francisco Redevelopment Agency, establish a process to calculate and remit future advance payroll funding and administrative cost reimbursement.
4. Address the transition to direct employment of staff rather than through an intermediary agency, including conducting a needs assessment, development of alternatives, establishment of criteria for making key payroll process decisions, and creation of personnel policies and procedures.
5. Ensure that at any given time, one staff person is not able to authorize a transaction, record a transaction, and have physical custody of the item procured.

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6. Create and maintain vendor files in good order, including all supporting documentation and explanation for any transactions that occur.
7. Develop written policies and procedures for monitoring work orders, including that services are not only received, but are also prudent and not excessive in cost.
8. Direct the Facilities Manager to monitor the work order with the Department of Public Works.
9. Direct the Deputy Director to monitor the work order for the City Attorney.
10. Develop written policies and procedures for fixed asset tracking and monitoring and create an inventory of existing Authority assets.
11. Inventory all Navy vehicles, equipment, and furnishings, including those items at the warehouse, at other Navy facilities, and on loan to other agencies or City departments.
12. Develop written policies and procedures for managing and monitoring the Navy's assets and incorporate any Navy requirements.
13. Secure all keys to vehicles, the warehouse and all facilities and provided keys only to authorized individuals.
14. With respect to facility management:
 - Inventory all Navy facilities,
 - Conduct an assessment of facility conditions,
 - Develop an interim use plan,
 - Develop a maintenance program, and
 - Develop procedures for monitoring ongoing maintenance activities of the Department of Public Works.
15. Establish the responsibility for timely monitoring of the receipt of revenues and assign to staff.
16. Establish procedures for staff independent of the deposit process to verify that all checks and cash have been deposited.
17. Refuse all cash payments and only accept checks, money orders or cashiers checks made payable to the Treasure Island Development Authority.
18. Update and augment cash receipts policies and procedures to reflect current procedures and staffing, file maintenance, payment monitoring, deposit verification, and cash policies.

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19. Direct the Finance Manager on a regular basis to reconcile Special Events payment records with actual deposits and refunds, a calendar of events, and staff time worked on the days of those events.
20. Assign responsibility to the Finance Manager to become expert in the financial specifications of the John Stewart Company contract and to monitor financial compliance with the contract on a regular basis.
21. Assign responsibility to the Facilities Manager for the operating specifications of the John Stewart Company contract and for monitoring operating compliance with the contract on a regular basis.
22. Assign responsibility to the Finance Manager to become expert in the financial specifications of the revenue sharing agreement with the Treasure Island Homeless Development Initiative and to monitor financial compliance with the agreement specifications on a regular basis.
23. Develop written contract policies and procedures for management and administration of professional services contracts, including verifying service delivery, monitoring payments, ensuring insurance requirements are current and maintained, and ensuring that contracts are entered into and are extended, if necessary, in a timely manner (i.e. before services are utilized and expenditures are incurred.).
24. Direct the Finance Manager to develop new financial spreadsheets to meet the Authority's needs in terms of financial analysis and monitoring budget to actual revenues and expenditures.
25. Direct the Finance Manager to correct and complete prior year financial spreadsheets in order to be able to conduct analysis across fiscal years.
26. Work with the Controller's Office to set up appropriate accounting for special event deposits and to establish a ledger for tracking deposits.
27. Develop new job descriptions and clear lines of responsibility for each position given the Authority's objectives of 1) property management, 2) negotiating the transfer of federal property, and 3) long-range planning and development of Treasure Island.
28. Develop goals and objectives for each staff for the coming year and annually thereafter.

These are significant issues that must be addressed and tasks that must be completed by the Authority before it becomes a mature enterprise.

Mr. Tony Hall
Executive Director
Treasure Island Development Authority
February 4, 2004

We would like to thank the staff of the Authority for their cooperation and assistance throughout this review. Should you have any questions on this report or require further assistance, please call me at (415) 552-9292.

Sincerely,

Ken Bruce
Senior Manager

Attachments

HARVEY M. ROSE ACCOUNTANCY CORPORATION
TREASURE ISLAND DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS

(In Thousands)

Year Ending June 30:	2000	2001	2002	2003
Assets				
Deposits and investments	\$ -	\$ 1,463	\$ 3,442	\$ 4,250
Receivables				
Governmental grants and subventions	1,429	36	12	12
Charges for services	382		678	694
Interest			12	33
Total Assets	<u>1,811</u>	<u>1,499</u>	<u>4,144</u>	<u>4,989</u>
Liabilities				
Accounts payable	204	306	211	168
Salaries and benefits payable	60	58	57	61
Interest payable		13		
Due to General Fund	<u>1,831</u>			
Total Liabilities	<u>2,095</u>	<u>377</u>	<u>268</u>	<u>229</u>
Net Assets	<u>\$ (284)</u>	<u>\$ 1,122</u>	<u>\$ 3,876</u>	<u>\$ 4,760</u>

Note: GASB 34 was implemented for financial statements commencing with the year ended June 30, 2001. The financial data presented for FY 1999-2000, which are presented on a governmental fund basis, are not comp

HARVEY M. ROSE ACCOUNTANCY CORPORATION
TREASURE ISLAND DEVELOPMENT AUTHORITY
FINANCIAL PROFILE
FY 1999-2000 THROUGH FY 2003-2004

STATEMENT OF ACTIVITIES
(In Thousands)

<u>For the fiscal year ended June 30:</u>	2000	2001	2002	2003	<i>FAMIS 2004</i>
Revenues					
Charges for services	\$ 2,494	\$ 5,721	\$ 8,651	\$ 10,290	\$ 7,635
Operating grants and contributions	2,441	567	226	48	-
Interest					56
Total Revenues	<u>4,935</u>	<u>6,288</u>	<u>8,877</u>	<u>10,338</u>	<u>7,691</u>
Expenditures					
Expenses	5,234	4,882	6,123	9,454	11,023
Total Expenditures	<u>5,234</u>	<u>4,882</u>	<u>6,123</u>	<u>9,454</u>	<u>11,023</u>
Operating Transfer In	15				
Net Assets					
Change in net assets	(284)	1,406	2,754	884	(3,332)
Beginning Balance	<u>-</u>	<u>(284)</u>	<u>1,122</u>	<u>3,876</u>	<u>4,760</u>
Ending Balance	<u>\$ (284)</u>	<u>\$ 1,122</u>	<u>\$ 3,876</u>	<u>\$ 4,760</u>	<u>\$ 1,428</u>

Note: GASB 34 was implemented for financial statements commencing with the year ended June 30, 2001. Thus, the financial data presented for FY 1999-2000, which are presented on a governmental fund basis, are not comparable.

Source: CCSF CAFR reports and FY 2003-2004 FAMIS YEAR END REPORT

Harvey M. Rose Accountability Corporation
TREASURE ISLAND DEVELOPMENT AUTHORITY
FINANCIAL ANALYSIS
FY 2000-01 TO FY 2003-04

Obj	Object Title	FY 00-01 Actual (c)	FY 01-02 Orig Bud (c) Actual (d)	Variance	FY 02-03 Orig Bud (c) Actual (a)	Variance	FY 03-04 Orig Bud (a) Actual (b)	Variance	FY 04-05 Budget	FY 03-04 CarryWds (e)	FY 04-05 Total
001	PERMANENT SALARIES-MISC	878,822	827,734	(36,552)	947,068	759,453	188,615	11,137	850,642	-	850,642
010	ONE-TIME SALARY PAYMENTS	9,324	15,762	(15,762)	11,137	35,012	(11,137)	-	38,107	-	38,107
013	RETIREMENT	-	61,516	(61,516)	35,012	(35,012)	64,450	-	57,453	-	57,453
014	SOCIAL SECURITY	-	56,608	(56,608)	51,691	(51,691)	66,317	-	62,697	-	62,697
015	HEALTH SERVICE	-	34,415	(34,415)	38,566	(38,566)	12,154	-	12,096	-	12,096
016	DENTAL COVERAGE	-	11,107	(11,107)	10,477	(10,477)	681	-	1,872	-	1,872
017	UNEMPLOYMENT INSURANCE	192,242	184,149	167,409	189,771	16,474	171,297	15,612	16,643	-	16,643
019	OTHER FRINGE BENEFITS	2,808	5,000	1,381	17,500	219	17,281	1,980	10,000	-	10,000
021	TRAVEL	1,308	5,000	5,252	8,000	10,146	8,000	9,662	8,000	-	8,000
022	TRAINING	1,053	500	422	1,700	408	92	709	500	-	500
023	MEMBERSHIP FEES	1,010	1,000	78	1,100	935	1,100	1,180	1,200	-	1,200
025	ENTERTAINMENT AND PROMOTION	23,441	18,153	16,776	11,333	73	18,153	33,971	18,153	-	18,153
027	PROFESSIONAL & SPECIALIZED SVCS	1,344,010	1,850,768	675,160	2,542,490	1,313,142	3,284,569	1,937,570	1,320,570	-	1,320,570
028	MAINTENANCE SVCS-BLDG & STRCT	99,933	111,750	109,825	128,000	338,265	154,000	1,010,728	99,933	-	99,933
029	MAINTENANCE SVCS-EQUIPMENT	6,332	-	-	30,000	3,017	1,000	4,963	1,000	-	1,000
031	RENTS & LEASES-EQUIPMENT	49,383	30,000	19,893	30,000	7,968	22,032	16,478	15,008	-	15,008
034	SUBSISTENCE	26,723	95,000	8,414	93,000	19,028	73,072	10,659	10,491	-	10,491
035	OTHER CURRENT EXPENSES	-	25,000	-	25,000	-	5,000	319	10,000	-	10,000
040	MATERIALS & SUPPLIES BUDGET ONLY	81	-	-	-	-	-	-	-	-	-
046	FOOD	730	1,500	561	21,960	(21,960)	-	60,419	-	-	-
049	OTHER MATERIALS & SUPPLIES	-	-	-	1,169	(1,169)	-	-	-	-	-
051	INSURANCE	-	-	-	-	-	-	38,909	65,000	-	65,000
052	TAXES, LICENSES & PERMITS	20	15	(15)	325,000	-	325,000	20	225,000	-	225,000
056	OFFICE SUPPLIES	6,669	66,939	-	-	-	-	-	-	-	-
060	EQUIPMENT PURCHASE	4,255,179	5,747,570	517,609	7,094,201	6,887,101	9,014,932	31,495	7,963,228	-	7,963,228
081	SERVICES OF OTHER DEPTS	-	-	-	-	-	-	9,348,460	8,249,950	-	8,249,950
Total Expenditures		6,896,196	9,187,199	7,967,546	11,419,793	9,454,697	14,358,881	12,822,522	12,060,661	1,278,637	13,339,298
086	INTERDEPARTMENTAL RECOVERY	(2,060,271)	(3,265,620)	(2,069,620)	(1,800,000)	-	(1,800,000)	(1,800,000)	(1,800,000)	-	(1,800,000)
Net Expenditures		4,835,925	5,917,579	5,897,926	9,619,793	9,454,697	12,558,881	11,022,522	10,260,661	1,278,637	11,539,298
301	INTEREST	(66,918)	-	57,018	126,669	126,669	-	56,180	-	-	-
398	OTHER CITY PROPERTY RENTALS	5,795,906	6,211,435	8,544,353	9,619,793	9,466,927	9,616,000	7,635,230	9,338,000	-	9,338,000
449	TREASURE ISLAND REVENUES	482,084	-	-	-	-	-	-	-	-	-
499	OTHER LOCAL GRANTS	-	-	92,000	-	-	-	-	-	-	-
Total Revenues		6,162,072	6,211,435	8,693,371	9,619,793	9,593,596	9,616,000	7,691,410	9,338,000	(1,278,637)	9,338,000
Net Revenues / (Use of Fund Balance)		1,346,147	293,866	2,795,445	-	138,899	(2,942,581)	(3,331,112)	(922,661)	(1,278,637)	(2,201,298)

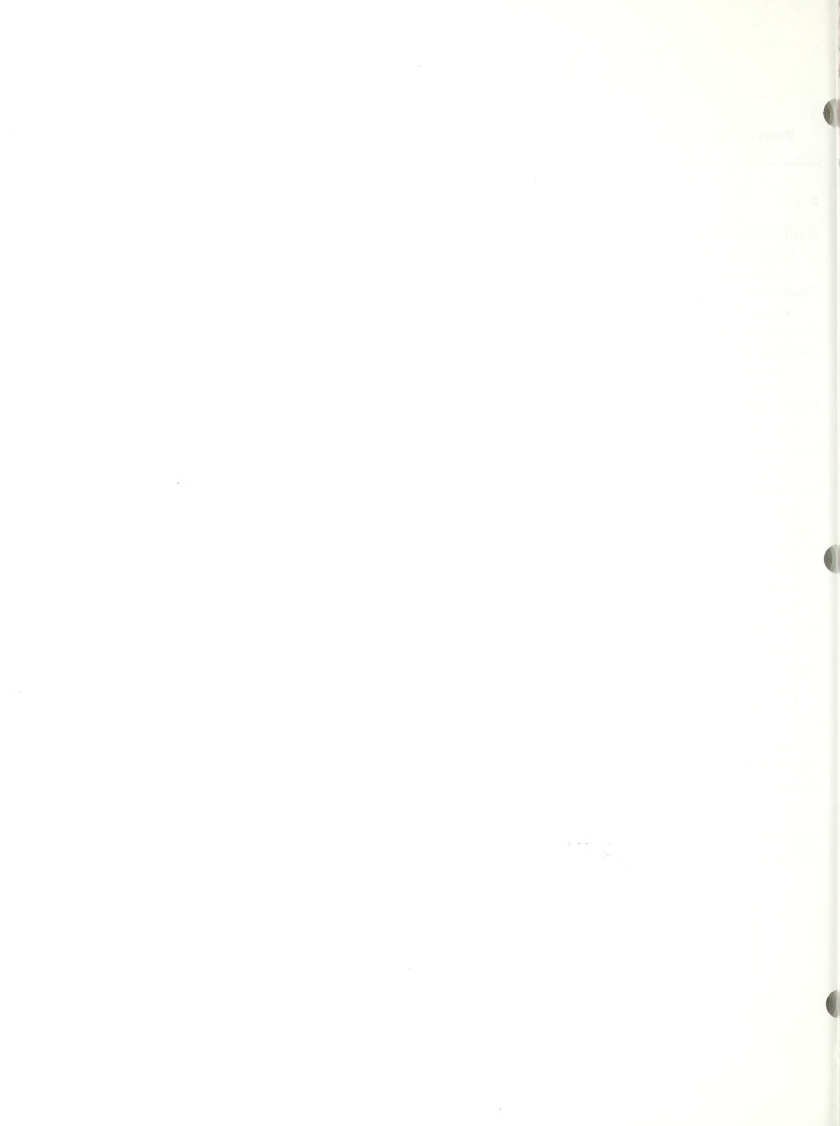
Source:

- (a) FY 04-05 Controller BRREP Reports - Excl
(b) FY 03-04 Controller BRREP Reports - Excl
(c) FY 02-03 Controller BRREP Reports - Excl
(d) FY 01-02 Controller BRREP Reports - Excl

(e) \$551,742 in carryforward for Prof. Svc. in part should be allocated to Other Current Expenses

**Professional Services and Other Non-Construction Contracts under Contract with Treasure Island
Development Authority**

Contractor	Amount Carried Forward From FY 2003-2004	Amount Included in TIDA Budget for FY 2004-2005	Total
Rubicon Enterprises	\$ 139,545	\$ 800,000	\$ 939,545
Partner organization of TIDHI - provides landscaping and maintenance services			
Toolworks	-	110,000	110,000
Janitorial Maintenance			
Treasure Island Homeless Development Initiative (TIDHI)			
Coordination and facilitation of participation of community-based homeless service organizations.	82,619	350,000	432,619
CH2M Hill			
Environmental Engineering Services	-	302,500	302,500
Economic & Planning Systems			
Real estate economics and negotiation support.	-	125,000	125,000
Kutak Rock			
Legal services in support of negotiation with Navy	42,360	16,500	58,860
Roma Design Group			
Urban design and planning consulting services in support of negotiations.	19,084	50,000	69,084
Geomatrix Consultants			
Environmental Engineering Services	164,457	500,000	664,457
Seifel Consulting Inc. (SCI)			
Redevelopment planning consulting services	35,224	25,000	60,224
Shute, Mihaly & Weinberger LLP			
Specialized legal services in support of Tidelands Trust Exchange.	-	25,000	25,000
URS			
Preparation for EIR to support conveyance	53,361	75,000	128,361
"Other new contracts"	-	200,000	200,000
James Nolen			
Unknown	21,800	-	200,000
Approximate total of other encumbrances carried forward from FY 2003-2004	<u>33,000</u>	<u>-</u>	<u>33,000</u>
	\$ 591,450	\$ 2,579,000	\$ 3,348,650





Notes

MEMORANDUM

TO: Treasure Island Development Authority

FROM: Karen Knowles-Pearce, Chair, Treasure Island / Yerba Buena Island Citizens' Advisory Board

SUBJECT: CAB Comments Regarding Draft Proposal

DATE: February, 9, 2005

On Tuesday, January 25, 2005, a joint meeting of the Urban Design & Infrastructure and the Planning & Development subcommittees was held to discuss the Infrastructure & Phasing Plans presentation that had been presented to the CAB and TIDA at their January meetings. While the group held discussion on each of the agenda items, and then presented their comments to the CAB as a whole at our February meeting, the issues below are those on which there were specific comments and concerns. The CAB discussed the subcommittee recommendations and voted unanimously on the four following issues for presentation to TIDA here today.

1. Street & Transportation Infrastructure Issues.

*Our previous concerns still stand: we continue to strongly encourage the creation of a **transit-oriented** community, with plenty of pedestrian and bicycle paths – a **walkable** community. We encourage traffic calming devices for roadways, but roadways which will move traffic easily around the island. We want these ideas to apply not just to the “neighborhoods” of the island, but to the island as a whole, so anyone visiting the Island will be able to walk, bike, or roller-blade easily to their destination.*

2. Geotechnical / Seismic Issues.

We ask that the potential for and the defense from the possible effects of climate changes and tsunami wave action be seriously considered.

3. **Wet & Dry Utilities Infrastructure Issues.**

We want to assure that the developer carefully consider the phasing challenges and include costs for maintaining interim functionality as each phase is developed.

4. **Landscaping Concepts.**

We'd like to encourage considerable creativity for the flora and fauna choices along the shoreline roadways and parking lots. We strongly urge considerable use of greenery and an emphasis on aesthetics. We also encourage addressing potential pollution from vehicles on roadways and parking lot, i.e., oil and/or grease "drippings".

In addition, **Environmental Cleanup Issues & Impacts** was also discussed, but we have no current comment.

And finally, the issue of **Sustainability** was discussed but we currently have no "official" comment, although we will have comments in the future.



Notes



Notes

Notes

AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Resolution Authorizing the
Authority to Amend and Extend the
Term of the Master Lease with the
United States Navy for Property
known as the South Waterfront
Master Lease at Treasure Island.
(Action Item)

Agenda Item No. 9(b)
Meeting of February 9, 2005

Contact/Phone Tony Hall, Executive Director
Marc McDonald, Facilities Director

SUMMARY OF PROPOSED ACTION

Staff Requests authorization to extend the Master Lease with the United States Navy, known as the South Waterfront Master Lease at Treasure Island through December 1, 2005, and to amend the Master Lease to define the responsibilities of the parties for the maintenance of Common Areas.

DISCUSSION

On September 4, 1998, the Treasure Island Development Authority (TIDA) entered into a lease agreement with the United States Navy for Master Lease (Lease Number N6247498RP00P99), called the South Waterfront Master Lease, at no rent. The Lease Premises include the Building 1 (Administration Building), Building 180 (Rent Production Studios), Building 2 (Island Creative), Building 3, Building 34 (City Store) and a Parking Lot adjacent to the Little League Field at 5th Street and Avenue N.

In July of 2004, TIDA and the Navy entered into discussions to establish a process under the Master Lease to fund maintenance responsibilities called for in the Cooperative Agreement. Pending resolution of these discussions, the Navy verbally agreed that the Master Lease would continue on a month-to-month basis. Discussions were completed to the satisfaction of the Navy and TIDA staff in January of 2005.

Discussions were concluded when the Navy and TIDA staff agreed to establish a mechanism which would support the terms of the Cooperative Agreement between the Navy and TIDA. According to the terms of the Cooperative Agreement TIDA has the obligation to perform certain caretaker responsibilities to the extent that the total amount paid to TIDA by the Navy for such services approximates TIDA's costs for such services. TIDA is not obligated to continue work beyond that point. Under the original Master Lease, the Navy had the right to impose Common Area Maintenance (CAM) charges for certain services which were necessary for the beneficial use and enjoyment of the Master

Leased premises – e.g., maintenance and repair of roads, streets, gutters. Subsequently, the Navy agreed to stop imposing CAM charges because TIDA had assumed many of those responsibilities pursuant to the Cooperative Agreement. However, the Navy wishes to establish a mechanism to fund services under the Cooperative Agreement that the Navy may choose to perform in the event that TIDA does not perform such services due to the funding limitation under the Cooperative Agreement. Therefore, the proposed Master Lease amendment expands the definition of Common Area Maintenance to include maintenance and repair of facilities; grounds maintenance; operation, maintenance and repair of sanitary lift station, and permit compliance consistent with such services under the Cooperative Agreement. The proposed Master Lease amendment continues the no rent provision but also allows the Navy to reimpose CAM charges in the event the Navy performs such services, but only after the Navy has first given TIDA 30 days to perform such services itself. These amendments will allow the Navy to assume repair and maintenance responsibilities as the Navy considers necessary and then, after providing TIDA an opportunity to either perform those services or reimburse the Navy for the cost of repair and maintenance, to reimpose a Common Area Maintenance Charge to recover those costs. TIDA staff considers this a reasonable conclusion to the discussion because it provides the parties a mechanism to address the Common Area Maintenance needs of the island, while preserving the ability of TIDA to manage its Cash Flow.

RECOMMENDATION

Approve Staff Recommendation to retroactively Amend Lease Agreement N6247498RP00P99 (South Waterfront Master Lease), said term to commence on December 2, 2004 and to expire on December 1, 2005.

1 [Amendment to South Waterfront Master Lease]

2 Authorizing an Amendment to the South Waterfront Master Lease between the Authority and
3 the Navy to extend the term of such Master Lease retroactively from December 2, 2004 to
4 December 1, 2005 and to allow the Navy to reinstitute common area maintenance charges in
5 the event that the Navy provides certain services consistent with the caretaker services
6 described in the Cooperative Agreement between the Authority and the Navy.

7 **WHEREAS**, The Authority and the United States of America, acting by and through the
8 Department of the Navy (the "Navy"), entered into a master lease dated September 4, 1998,
9 for the Authority to use and rent out certain land and structures in the south waterfront area of
10 Treasure Island (the "South Waterfront Master Lease") at no rent; and,
11

12 **WHEREAS**, The South Waterfront Master Lease enables the Authority to sublease
13 portions of the master leased area for interim uses and generate revenues to support the
14 interim uses and the future redevelopment of the former Naval Station Treasure Island; and,
15

16 **WHEREAS**, The South Waterfront Master Lease originally allowed the Navy to impose
17 a common area maintenance charge for certain services performed by the Navy for the
18 benefit of the leased premises; and,
19

20 **WHEREAS**, In 2000, the Navy agreed to stop imposing a common area maintenance
21 charge under the South Waterfront Master Lease; and,
22

23 **WHEREAS**, The Authority has entered into a Cooperative Agreement with the Navy
24 (which has been amended 18 times) under which the Authority agreed to assume certain
responsibilities for (i) operation and maintenance for the water, waste water, storm water,
electric and gas utility systems on the Base, (ii) security and public health and safety services,
25

1 (iii) grounds and street maintenance and repair, and (iv) property management and caretaker
2 services, all to the extent that the Navy provided funds to the Authority to perform such
3 services; and,

4 **WHEREAS,** The Navy has not provided funds to the Authority for services under the
5 Cooperative Agreement for several years, and the Navy has on occasion performed such
6 services under the Cooperative Agreement at its expense; and,

7 **WHEREAS,** The Authority wishes to retroactively extend the term of the South
8 Waterfront Master Lease at no rent from December 2, 2004 to December 1, 2005, and as a
9 condition to granting such an extension, the Navy wishes to reinstitute the right to impose a
10 common service charge for services the Navy performs which either benefit the leased
11 premises or are consistent with the caretaker services described in the Cooperative
12 Agreement; now therefore be it
13

14 **RESOLVED,** That the Board of Directors hereby authorizes the Executive Director to
15 enter into an amendment to the South Waterfront Master Lease in substantially the form
16 attached hereto as Exhibit A to retroactively extend the term of such master lease from
17 December 2, 2004 to December 1, 2005 and to allow the Navy to reimpose common service
18 charges as described above and set forth in further detail in Exhibit A.
19

20 **CERTIFICATE OF SECRETARY**

21
22 **I hereby certify that I am the duly elected and acting Secretary of the Treasure**
23 **Island Development Authority, a California nonprofit public benefit corporation, and**
24
25

1 that the above Resolution was duly adopted and approved by the Board of Directors
2 of the Authority at a properly noticed meeting on February 9, 2005.
3

4 Susan Po-Rufino,
5 Secretary
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**THIRTEENTH AMENDMENT
TO LEASE AGREEMENT N6247498RP00P99
BETWEEN
THE UNITED STATES OF AMERICA
AND
TREASURE ISLAND DEVELOPMENT AUTHORITY**

THIS LEASE AMENDMENT made this ____ day of _____ 2005, by and between the UNITED STATES OF AMERICA, acting by and through the Department of the Navy, hereinafter called the "Government", and the TREASURE ISLAND DEVELOPMENT AUTHORITY, hereinafter called the "Lessee";

WHEREAS, the parties hereto, as of 4 September 1998, entered into Lease Agreement N6247498RP00P99 under the terms of which the Lessee uses certain real property for space located at the former Naval Station, Treasure Island; and

WHEREAS, the parties agree to amend the terms of the Lease Agreement.

NOW THEREFORE, in consideration of the terms, covenants and conditions hereinafter set forth; the following paragraphs to Lease N6247498RP00P99 are hereby amended to reflect the following changes;

1. Paragraph 2 **Term**, delete in its entirety and the following paragraph is inserted therefore:

"The term of this Lease shall be for a period of one (1) year beginning on 2 December 2004 and ending on 1 December 2005, unless sooner terminated in accordance with the provisions of Paragraph 14, Termination."

2. The definition of "Common Area Maintenance" under Paragraph 3.1.3 is hereby amended to read as follows:

"Common Area Maintenance" for the purpose of the Common Area Maintenance Charge shall include, but are not limited to: fire fighting; general perimeter security (this does not include security of those portions of Leased Premises which are (1) used or occupied by Lessee, (2) subleased by Lessee to another); causeway operations, maintenance and repair; maintenance and repair of roads, streets, sidewalks, curbs and gutters; operation, maintenance and repair of street lighting, street signals and signage; operation, maintenance and repair of storm sewer; pest control; maintenance and repair of facilities; grounds maintenance; operation, maintenance and repair of sanitary lift station, and permit compliance, and general administration of these services. All Common Area Maintenance shall be consistent with the Caretaker Services described in the Cooperative Agreement and its appendices as the same have been amended from time to time. Nothing in this Lease commits Government to continue to provide Common Area Maintenance referenced herein.

3. Paragraph 3 **Consideration**, Delete Paragraph 3.3 in its entirety and add Paragraphs 3.3 and 3.4 as follows:

3.3 Common Area Maintenance Charges will not apply as of October 1, 2000 unless reinstituted as follows:

On or after December 1, 2004, the Government, at its option, may unilaterally reinstitute the Common Area Maintenance Charge in accordance with Paragraph 3.1 above in the event that Government provides Common Area Maintenance (as defined in Paragraph 3.1.3) or incurs Common Area Maintenance costs. The Common Area Maintenance Charge may be reinstituted on a continuing basis depending on the circumstances. The Government shall provide Lessee with copies of receipts, invoices, or other materials reasonably evidencing the Government's actual and reasonable cost of Common Area Maintenance. Except in the case of emergencies, the Government shall give Lessee 30-days prior written notice of Government's intention to perform Common Area Maintenance and shall provide Lessee a reasonable opportunity to perform such services at its own cost.

3.4 Common Area Maintenance Charges will be paid in accordance with Sections 3.1.2 and 3.1.3 above until the Government has been fully reimbursed for its actual cost of Common Area Maintenance. The parties may agree to the payment of such Common Area Maintenance Charges on a one-time or other periodic basis. In the event that the Lessee disputes the amount of or the basis for any such charge, Lessee shall so notify the Government in writing of such dispute and the basis therefor no later than 60 calendar days from the date of demand. In the event of a dispute, the Lessee and Government shall resolve their dispute in accordance with the provisions of Paragraph 23 of this lease.

All other terms and conditions of the Lease Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have, on the respective dates set forth above duly executed this amendment to the Lease as of the day and year first above written.

UNITED STATES OF AMERICA

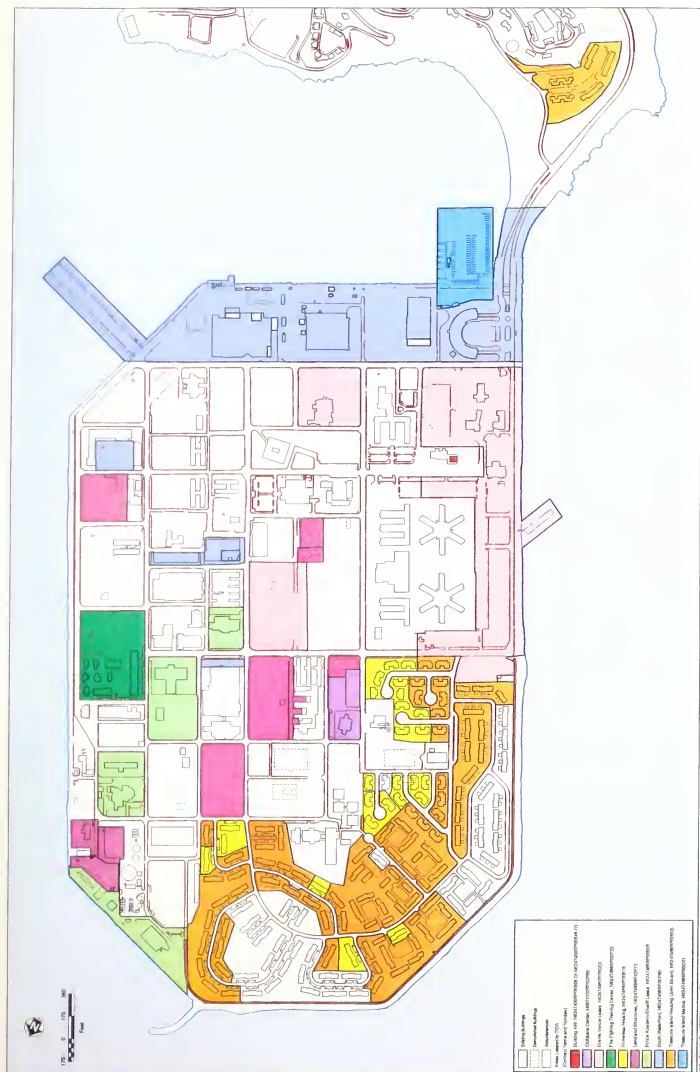
TREASURE ISLAND DEVELOPMENT
AUTHORITY

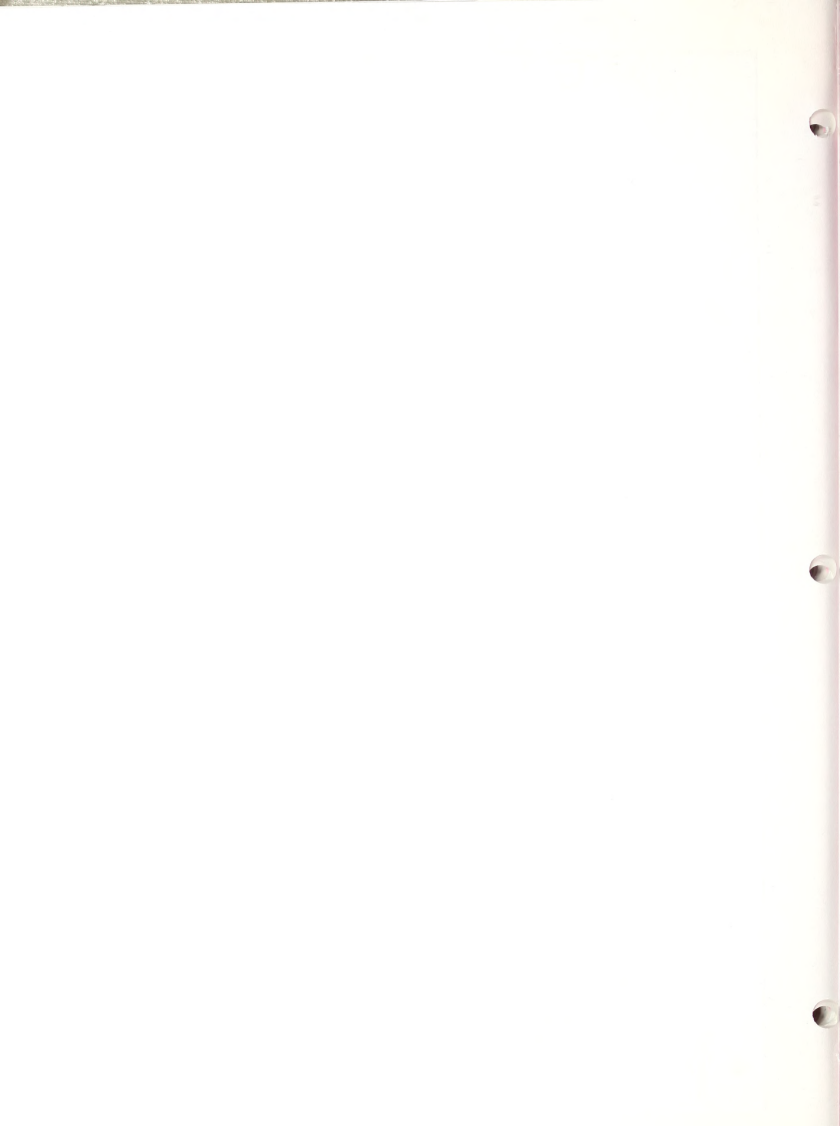
Title _____

Title _____

APPROVED AS TO FORM:

CITY ATTORNEY









AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Resolution Authorizing the
Authority to Amend and Extend the
Term of the Master Lease with the
United States Navy for Property
known as the Marina Master Lease
at Treasure Island. (Action Item)

Agenda Item No. 9c
Meeting of February 9, 2005

Contact/Phone Tony Hall, Executive Director
Marc McDonald, Facilities Director

SUMMARY OF PROPOSED ACTION

Staff Requests authorization to extend the Master Lease with the United States Navy, known as the Marina Master Lease at Treasure Island through December 1, 2005, and to amend the Master Lease to define the responsibilities of the parties for the maintenance of Common Areas.

DISCUSSION

On September 4, 1998, the Treasure Island Development Authority (TIDA) entered into a lease agreement with the United States Navy for Master Lease (Lease Number N6247498RP00Q01), called the Marina Master Lease. The Lease Premises include the Marina at 1st Street, adjacent to the Administration Building on Treasure Island.

In July of 2004, TIDA and the Navy entered into discussions to establish a process under the Master Lease to fund maintenance responsibilities called for in the Cooperative Agreement. Pending resolution of these discussions, the Navy verbally agreed that the Master Lease would continue on a month-to-month basis. Discussions were completed to the satisfaction of the Navy and TIDA staff in January of 2005.

Discussions were concluded when the Navy and TIDA staff agreed to establish a mechanism which would support the terms of the Cooperative Agreement between the Navy and TIDA. According to the terms of the Cooperative Agreement TIDA has the obligation to perform certain caretaker responsibilities to the extent that the total amount paid to TIDA by the Navy for such services approximates TIDA's costs for such services. TIDA is not be obligated to continue work beyond that point. Under the original Master Lease, the Navy had the right to impose Common Service (CAM) charges for certain services which were necessary for the beneficial use and enjoyment of the Master Leased premises – e.g., maintenance and repair of roads, streets, gutters. Subsequently, the Navy agreed to stop imposing CAM charges because TIDA had assumed many of those responsibilities pursuant to the Cooperative Agreement. However, the Navy wishes to

establish a mechanism to fund services under the Cooperative Agreement that the Navy may choose to perform in the event that TIDA does not perform such services due to the funding limitation under the Cooperative Agreement. Therefore, the proposed Master Lease amendment expands the definition of Common Area Maintenance to include maintenance and repair of facilities; grounds maintenance; operation, maintenance and repair of sanitary lift station, and permit compliance consistent with such services under the Cooperative Agreement. The proposed Master Lease amendment continues the no rent provision also allows the Navy to reimpose CAM charges in the event the Navy performs such services, but only after the Navy has first given TIDA 30 days to perform such services itself. These amendments will allow the Navy to assume repair and maintenance responsibilities as the Navy considers necessary and then, after providing TIDA an opportunity to either perform those services or reimburse the Navy for the cost of repair and maintenance, to reimpose a Common Area Maintenance Charge to recover those costs. TIDA staff considers this a reasonable conclusion to the discussion because it provides the parties a mechanism to address the Common Area Maintenance needs of the island, while preserving the ability of TIDA to manage its Cash Flow.

RECOMMENDATION

Approve Staff Recommendation to retroactively Amend the Lease Agreement N6247498RP00Q01 (Marina Master Lease), said term to commence on December 2, 2004 and to expire on December 1, 2005.

1 [Amendment to Marina Master Lease]

2 Authorizing an Amendment to the Marina Master Lease between the Authority and the Navy
3 to extend the term of such Master Lease retroactively from December 2, 2004 to December 1,
4 2005 and to allow the Navy to reinstitute common area service charges in the event that the
5 Navy provides certain services consistent with the caretaker services described in the
6 Cooperative Agreement between the Authority and the Navy.

7 **WHEREAS**, The Authority and the United States of America, acting by and through the
8 Department of the Navy (the "Navy"), entered into a master lease dated September 4, 1998,
9 for the Authority to use and rent out certain land and structures for the operation of the
10 Treasure Island Marina (the "Marina Master Lease") at no rent; and,

11 **WHEREAS**, The Marina Master Lease enables the Authority to sublease portions of
12 the master leased area for interim uses and generate revenues to support the interim uses
13 and the future redevelopment of the former Naval Station Treasure Island; and,

14 **WHEREAS**, The Marina Master Lease originally allowed the Navy to impose a
15 common service charge for certain services performed by the Navy for the benefit of the
16 leased premises; and,

17 **WHEREAS**, In 2000, the Navy agreed to stop imposing a common service charge
18 under the Marina Master Lease; and,

19 **WHEREAS**, The Authority has entered into a Cooperative Agreement with the Navy
20 (which has been amended 18 times) under which the Authority agreed to assume certain
21 responsibilities for (i) operation and maintenance for the water, waste water, storm water,
22 electric and gas utility systems on the Base, (ii) security and public health and safety services,
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1 (iii) grounds and street maintenance and repair, and (iv) property management and caretaker
2 services, all to the extent that the Navy provided funds to the Authority to perform such
3 services; and,

4 **WHEREAS**, The Navy has not provided funds to the Authority for services under the
5 Cooperative Agreement for several years, and the Navy has on occasion performed such
6 services under the Cooperative Agreement at its expense; and,

7 **WHEREAS**, The Authority wishes to retroactively extend the term of the Marina Master
8 Lease at no rent from December 2, 2004 to December 1, 2005, and as a condition to granting
9 such an extension, the Navy wishes to reinstitute the right to impose a common service
10 charge for services the Navy performs which either benefit the leased premises or are
11 consistent with the caretaker services described in the Cooperative Agreement; now therefore
12 be it
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14 **RESOLVED**, That the Board of Directors hereby authorizes the Executive Director to
15 enter into an amendment to the Marina Master Lease in substantially the form attached hereto
16 as Exhibit A to retroactively extend the term of such master lease from December 2, 2004 to
17 December 1, 2005 and to allow the Navy to reimpose common service charges as described
18 above and set forth in further detail in Exhibit A.
19

20 **CERTIFICATE OF SECRETARY**

21
22 **I hereby certify that I am the duly elected and acting Secretary of the Treasure**
23 **Island Development Authority, a California nonprofit public benefit corporation, and**
24
25

1 that the above Resolution was duly adopted and approved by the Board of Directors
2 of the Authority at a properly noticed meeting on February 9, 2005.
3

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5 Susan Po-Rufino,
6 Secretary
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**EIGHTH AMENDMENT
TO LEASE AGREEMENT N6247498RP00Q01
BETWEEN
THE UNITED STATES OF AMERICA
AND
TREASURE ISLAND DEVELOPMENT AUTHORITY**

THIS LEASE AMENDMENT made this ____ day of _____ 2005, by and between the UNITED STATES OF AMERICA, acting by and through the Department of the Navy, hereinafter called the "Government", and the TREASURE ISLAND DEVELOPMENT AUTHORITY, hereinafter called the "Lessee";

WHEREAS, the parties hereto, as of 4 September 1998, entered into Lease Agreement N6247498RP00Q01 under the terms of which the Lessee uses certain real property for space located at the former Naval Station, Treasure Island; and

WHEREAS, the parties agree to amend the terms of the Lease Agreement.

NOW THEREFORE, in consideration of the terms, covenants and conditions hereinafter set forth; the following paragraphs to Lease N6247498RP00Q01 are hereby amended to reflect the following changes;

1. Paragraph 2 **Term**, delete in its entirety and the following paragraph is inserted therefore:

"The term of this Lease shall be for a period of one (1) year beginning on 2 December 2004 and ending on 1 December 2005, unless sooner terminated in accordance with the provisions of Paragraph 14, Termination."

2. The definition of "Common Services" under Paragraph 3.1.3 is hereby amended to read as follows:

"Common Services" for the purpose of the Common Services Charge shall include, but are not limited to: fire fighting; general perimeter security (this does not include security of those portions of Leased Premises which are (1) used or occupied by Lessee, (2) subleased by Lessee to another); causeway operations, maintenance and repair; maintenance and repair of roads, streets, sidewalks, curbs and gutters; operation, maintenance and repair of street lighting, street signals and signage; operation, maintenance and repair of storm sewer; pest control; maintenance and repair of facilities; grounds maintenance; operation, maintenance and repair of sanitary lift station, and permit compliance, and general administration of these services. All Common Services shall be consistent with the Caretaker Services described in the Cooperative Agreement and its appendices as the same have been amended from time to time. Nothing in this Lease commits Government to continue to provide Common Services referenced herein.

3. Paragraph 3 **Consideration**, Delete Paragraph 3.3 in its entirety and add Paragraphs 3.3 and 3.4 as follows:

3.3 Common Service Charges will not apply as of October 1, 2000 unless reinstituted as follows:

On or after December 1, 2004, the Government, at its option, may unilaterally reinstitute the Common Service Charge in accordance with Paragraph 3.1 above in the event that

Government provides Common Services (as defined in Paragraph 3.1.3) or incurs Common Services costs. The Common Service Charge may be reinstituted on a continuing basis depending on the circumstances. The Government shall provide Lessee with copies of receipts, invoices, or other materials reasonably evidencing the Government's actual and reasonable cost of Common Services. Except in the case of emergencies, the Government shall give Lessee 30-days prior written notice of Government's intention to perform Common Services and shall provide Lessee a reasonable opportunity to perform such services at its own cost.

3.4 Common Service Charges will be paid in accordance with Sections 3.1.2 and 3.1.3 above until the Government has been fully reimbursed for its actual cost of Common Services. The parties may agree to the payment of such Common Service Charges on a one-time or other periodic basis. In the event that the Lessee disputes the amount of or the basis for any such charge, Lessee shall so notify the Government in writing of such dispute and the basis therefor no later than 60 calendar days from the date of demand. In the event of a dispute, the Lessee and Government shall resolve their dispute in accordance with the provisions of Paragraph 23 of this lease.

All other terms and conditions of the Lease Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have, on the respective dates set forth above duly executed this amendment to the Lease as of the day and year first above written.

UNITED STATES OF AMERICA

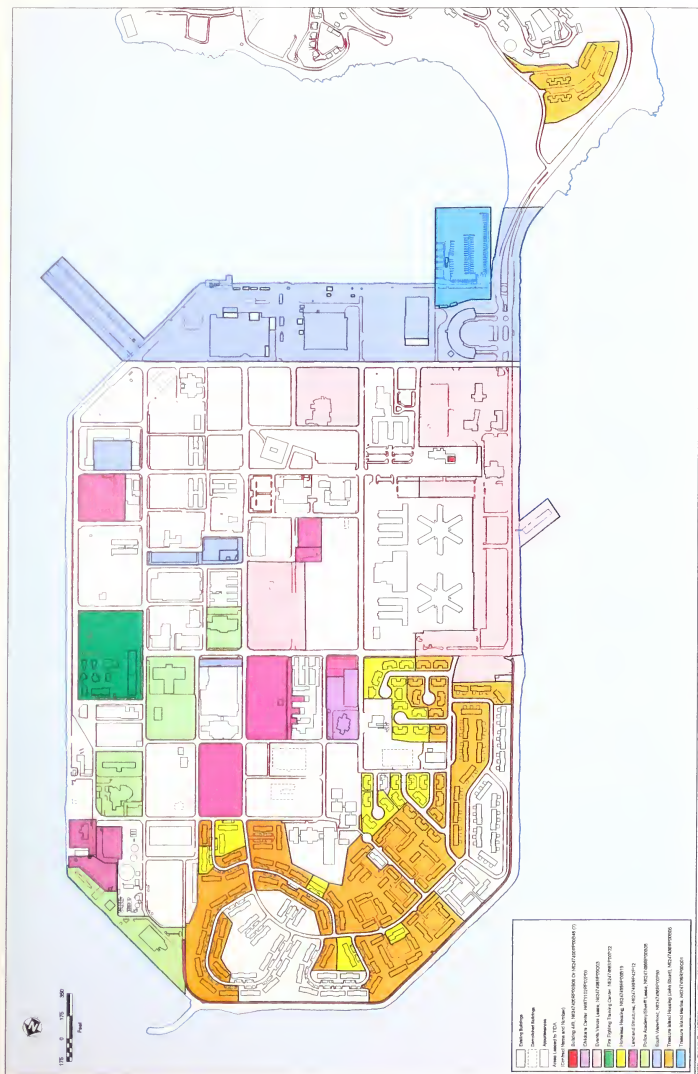
TREASURE ISLAND DEVELOPMENT
AUTHORITY

Title _____

Title _____

APPROVED AS TO FORM:

CITY ATTORNEY





AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Resolution Authorizing the
Authority to Amend and Extend the
Term of the Master Lease with the
United States Navy for Property
known as Land & Structures at
Treasure Island. (Action Item)

Agenda Item No. 9(d)
Meeting of February 9, 2005

Contact/Phone Tony Hall, Executive Director
Marc McDonald, Facilities Director

SUMMARY OF PROPOSED ACTION

Staff Requests authorization to extend the Master Lease with the United States Navy, known as the Land and Structures Master Lease at Treasure Island through December 1, 2005, and to amend the Master Lease to define the responsibilities of the parties for the maintenance of Common Areas and to add Building 201 to the Premises.

DISCUSSION

On September 4, 1998, the Treasure Island Development Authority (TIDA) entered into a lease agreement with the United States Navy for Master Lease (Lease Number N6247499RP42P12), called the Land and Structures Master Lease. The Lease Premises include certain land and buildings throughout the island that are in turn subleased primarily for storage.

In July of 2004, TIDA and the Navy entered into discussions to establish a process under the Master Lease to fund maintenance responsibilities called for in the Cooperative Agreement. Pending resolution of these discussions, the Navy verbally agreed that the Master Lease would continue on a month-to-month basis. Discussions were completed to the satisfaction of the Navy and TIDA staff in January of 2005.

Discussions were concluded when the Navy and TIDA staff agreed to establish a mechanism which would support the terms of the Cooperative Agreement between the Navy and TIDA. According to the terms of the Cooperative Agreement TIDA has the obligation to perform certain caretaker responsibilities to the extent that the total amount paid to TIDA by the Navy for such services approximates TIDA's costs for such services. TIDA is not obligated to continue work beyond that point. Under the original Master Lease, the Navy had the right to impose Common Service (CAM) charges for certain services which were necessary for the beneficial use and enjoyment of the Master Leased premises – e.g., maintenance and repair of roads, streets, gutters. Subsequently, the Navy agreed to stop imposing CAM charges because TIDA had assumed many of those

responsibilities pursuant to the Cooperative Agreement. However, the Navy wishes to establish a mechanism to fund services under the Cooperative Agreement that the Navy may choose to perform in the event that TIDA does not perform such services due to the funding limitation under the Cooperative Agreement. Therefore, the proposed Master Lease amendment expands the definition of Common Area Maintenance to include maintenance and repair of facilities; grounds maintenance; operation, maintenance and repair of sanitary lift station, and permit compliance consistent with such services under the Cooperative Agreement. The proposed Master Lease amendment continues the no rent provision also allows the Navy to reimpose CAM charges in the event the Navy performs such services, but only after the Navy has first given TIDA 30 days to perform such services itself. These amendments will allow the Navy to assume repair and maintenance responsibilities as the Navy considers necessary and then, after providing TIDA an opportunity to either perform those services or reimburse the Navy for the cost of repair and maintenance, to reimpose a Common Area Maintenance Charge to recover those costs. TIDA staff considers this a reasonable conclusion to the discussion because it provides the parties a mechanism to address the Common Area Maintenance needs of the island, while preserving the ability of TIDA to manage its Cash Flow.

Additionally, there has been a significant level of interest in subleasing additional properties on Treasure Island for the purpose of storage. In an effort to accommodate those requests in a timely manner, TIDA has asked the Navy to agree to incorporate Building 201, the former Base Exchange, into the premises of the Land and Structures Lease. The Navy has assented to this request.

RECOMMENDATION

Approve Staff Recommendation to retroactively Amend the Lease Agreement N6247499RP42P12 (Land and Structures Master Lease), said term to commence on December 2, 2004 and to expire on December 1, 2005.

[Amendment to the Land and Structures Master Lease]

Authorizing an Amendment to the Land and Structures Master Lease between the Authority and the Navy to extend the term of such Master Lease retroactively from December 2, 2004 to December 1, 2005, to allow the Navy to reinstitute common area service charges in the event that the Navy provides certain services consistent with the caretaker services described in the Cooperative Agreement between the Authority and the Navy, and to add Building 201 to the leased premises.

WHEREAS, The Authority and the United States of America, acting by and through the Department of the Navy (the "Navy"), entered into a master lease dated November 19, 1998, for the Authority to use and rent out certain land and structures (the "Land and Structures Master Lease") at no rent; and,

WHEREAS, The Land and Structures Master Lease enables the Authority to sublease portions of each of the master leased areas for interim uses and generate revenues to support the interim uses and the future redevelopment of the former Naval Station Treasure Island; and,

WHEREAS, The Land and Structures Master Lease originally allowed the Navy to impose a common service charge for certain services performed by the Navy for the benefit of the leased premises; and,

WHEREAS, In 2000, the Navy agreed to stop imposing a common service charge under the Land and Structures Master Lease; and,

WHEREAS, The Authority has entered into a Cooperative Agreement with the Navy (which has been amended 18 times) under which the Authority agreed to assume certain

1 responsibilities for (i) operation and maintenance for the water, waste water, storm water,
2 electric and gas utility systems on the Base, (ii) security and public health and safety services,
3 (iii) grounds and street maintenance and repair, and (iv) property management and caretaker
4 services, all to the extent that the Navy provided funds to the Authority to perform such
5 services; and,

6 **WHEREAS,** The Navy has not provided funds to the Authority for services under the
7 Cooperative Agreement for several years, and the Navy has on occasion performed such
8 services under the Cooperative Agreement at its expense; and,

9 **WHEREAS,** The Authority wishes to retroactively extend the term of the Land and
10 Structures Master Lease at no rent from December 2, 2004 to December 1, 2005 and to add
11 Building 201 to the leased premises, and as a condition to granting such an extension and
12 adding Building 201, the Navy wishes to reinstitute the right to impose a common service
13 charge for services the Navy performs which either benefit the leased premises or are
14 consistent with the caretaker services described in the Cooperative Agreement; now therefore
15 be it
16
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18 **RESOLVED,** That the Board of Directors hereby authorizes the Executive Director to
19 enter into an amendment to the Land and Structures Master Lease in substantially the form
20 attached hereto as Exhibit A to retroactively extend the term of such master lease from
21 December 2, 2004 to December 1, 2005, to add Building 201 to the leased premises, and to
22 allow the Navy to reimpose common service charges as described above and set forth in
23 further detail in Exhibit A.
24

25 *////*

CERTIFICATE OF SECRETARY

I hereby certify that I am the duly elected and acting Secretary of the Treasure Island Development Authority, a California nonprofit public benefit corporation, and that the above Resolution was duly adopted and approved by the Board of Directors of the Authority at a properly noticed meeting on February 9, 2005.

Susan Po-Rufino,
Secretary

**FIFTEENTH AMENDMENT
TO LEASE AGREEMENT N6247499RP42P12
BETWEEN
THE UNITED STATES OF AMERICA
AND
TREASURE ISLAND DEVELOPMENT AUTHORITY**

THIS LEASE AMENDMENT made this ____ day of _____ 2005, by and between the UNITED STATES OF AMERICA, acting by and through the Department of the Navy, hereinafter called the "Government", and the TREASURE ISLAND DEVELOPMENT AUTHORITY, hereinafter called the "Lessee";

WHEREAS, the parties hereto, as of 19 November 1998, entered into Lease Agreement N6247499RP42P12 under the terms of which the Lessee uses certain real property for space located at the former Naval Station, Treasure Island; and

WHEREAS, the parties agree to amend the terms of the Lease Agreement.

NOW THEREFORE, in consideration of the terms, covenants and conditions hereinafter set forth; the following paragraphs to Lease N6247499RP42P12 are hereby amended to reflect the following changes;

1. Paragraph 1 **Leased Premises** add the following:

Use of the Building 201 and adjacent areas for the purpose of storage of personal property, as shown in Exhibit A-6, attached hereto and made a part hereof.

2. Paragraph 2 **Term**, delete in its entirety and the following paragraph is inserted therefore:

"The term of this Lease shall be for a period of one (1) year beginning on 2 December 2004 and ending on 1 December 2005, unless sooner terminated in accordance with the provisions of Paragraph 14, Termination."

3. The definition of "Common Services" under Paragraph 3.1.3 is hereby amended to read as follows:

"Common Services" for the purpose of the Common Services Charge shall include, but are not limited to: fire fighting; general perimeter security (this does not include security of those portions of Leased Premises which are (1) used or occupied by Lessee, (2) subleased by Lessee to another); causeway operations, maintenance and repair; maintenance and repair of roads, streets, sidewalks, curbs and gutters; operation, maintenance and repair of street lighting, street signals and signage; operation, maintenance and repair of storm sewer; pest control; maintenance and repair of facilities; grounds maintenance; operation, maintenance and repair of sanitary lift station, and permit compliance, and general administration of these services. All Common Services shall be consistent with the Caretaker Services described in the Cooperative Agreement and its appendices as the same have been amended from time to time. Nothing in this Lease commits Government to continue to provide Common Services referenced herein.

4. Paragraph 3 **Consideration**, Delete Paragraph 3.3 in its entirety and add Paragraphs 3.3 and 3.4 as follows:

3.3 Common Service Charges will not apply as of October 1, 2000 unless reinstituted as follows:

On or after December 1, 2004, the Government, at its option, may unilaterally reinstitute the Common Service Charge in accordance with Paragraph 3.1 above in the event that Government provides Common Services (as defined in Paragraph 3.1.3) or incurs Common Services costs. The Common Service Charge may be reinstituted on a continuing basis depending on the circumstances. The Government shall provide Lessee with copies of receipts, invoices, or other materials reasonably evidencing the Government's actual and reasonable cost of Common Services. Except in the case of emergencies, the Government shall give Lessee 30-days prior written notice of Government's intention to perform Common Services and shall provide Lessee a reasonable opportunity to perform such services at its own cost.

3.4 Common Service Charges will be paid in accordance with Sections 3.1.2 and 3.1.3 above until the Government has been fully reimbursed for its actual cost of Common Services. The parties may agree to the payment of such Common Service Charges on a one-time or other periodic basis. In the event that the Lessee disputes the amount of or the basis for any such charge, Lessee shall so notify the Government in writing of such dispute and the basis therefor no later than 60 calendar days from the date of demand. In the event of a dispute, the Lessee and Government shall resolve their dispute in accordance with the provisions of Paragraph 23 of this lease.

All other terms and conditions of the Lease Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have, on the respective dates set forth above duly executed this amendment to the Lease as of the day and year first above written.

UNITED STATES OF AMERICA

TREASURE ISLAND DEVELOPMENT
AUTHORITY

Title _____

Title _____

APPROVED AS TO FORM:

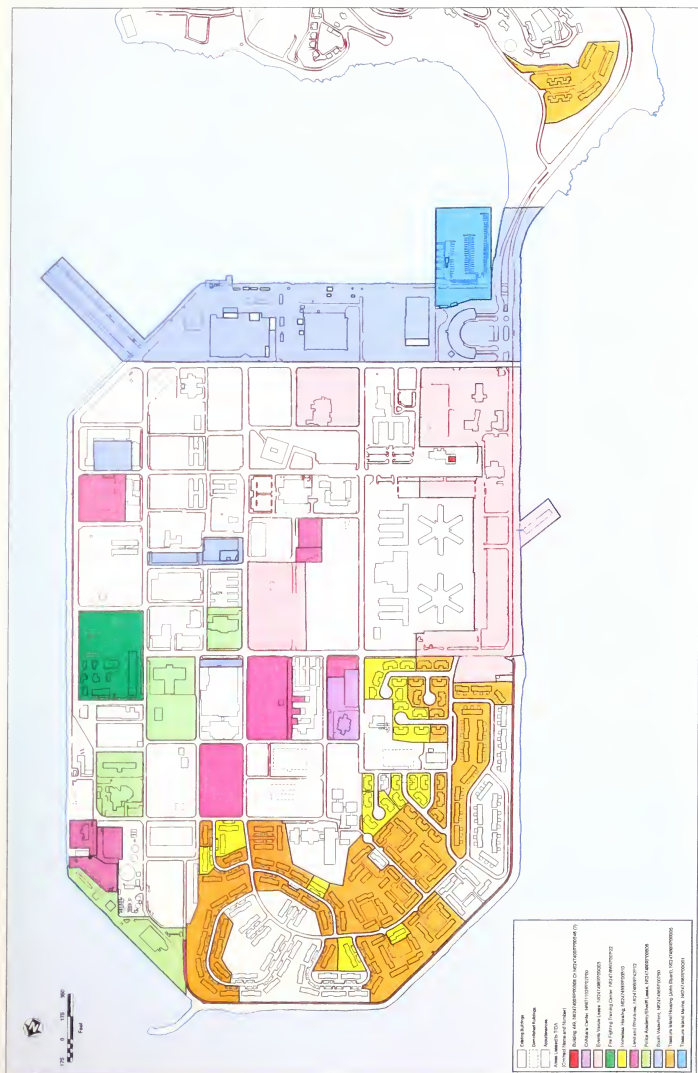
CITY ATTORNEY

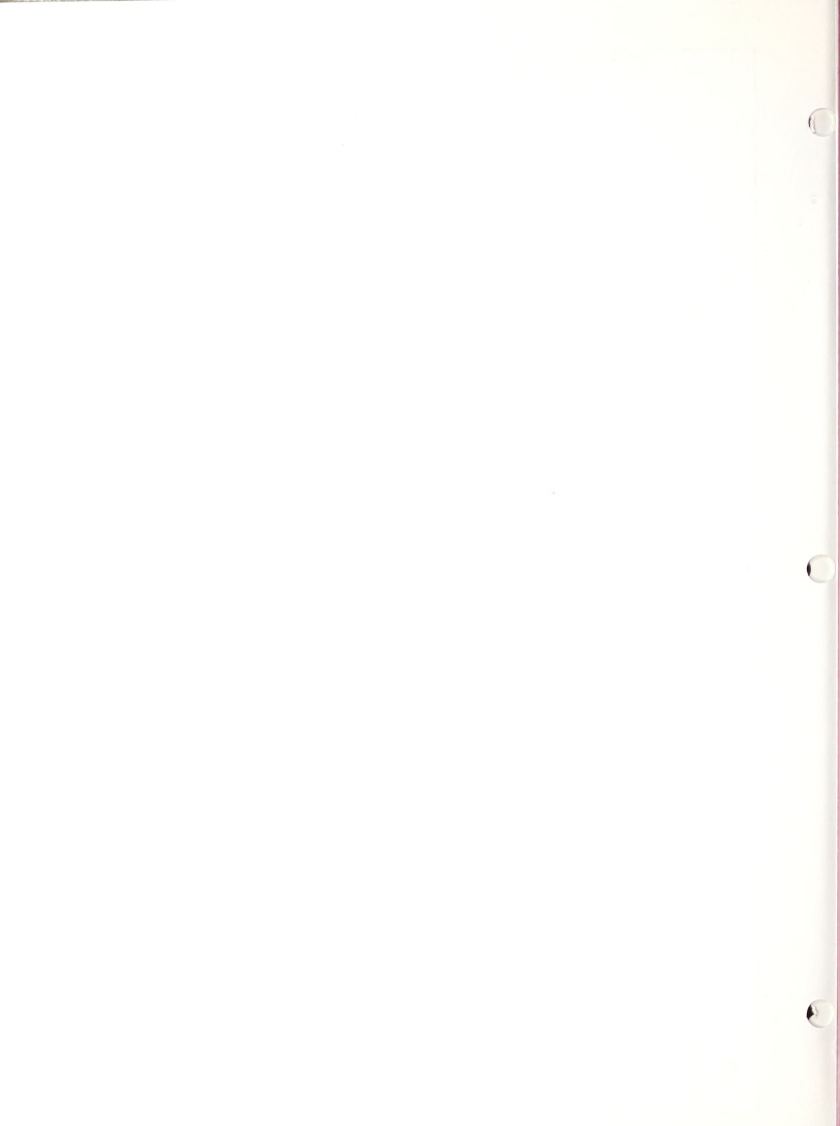


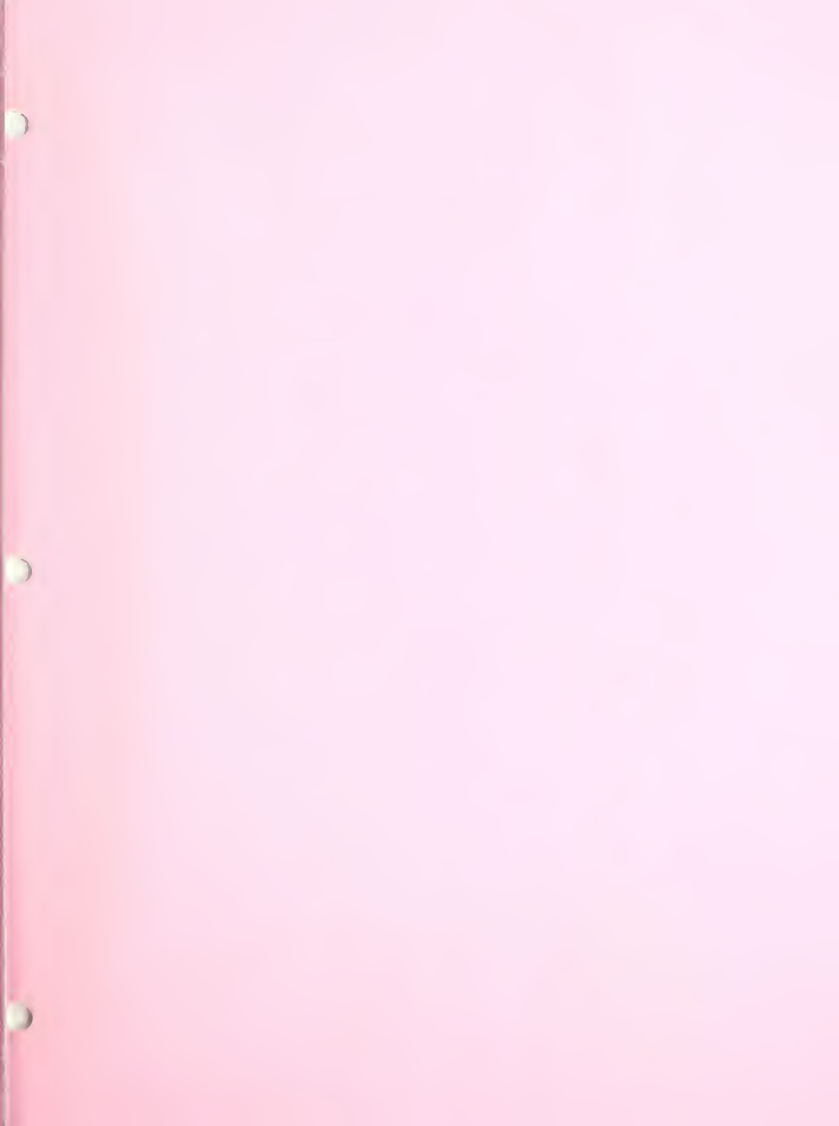


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Building 201 Area Lease 2.87 ac Exhibit A-6









AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Resolution Authorizing the Authority to Amend and Extend the Term of the Master Lease with the United States Navy for Property which includes the Events Venues at Treasure Island. (Action Item)

Agenda Item No.9e
Meeting of February 9, 2005

Contact/Phone Tony Hall, Executive Director
Marc McDonald, Facilities Director

SUMMARY OF PROPOSED ACTION

Staff Requests authorization to extend the Master Lease with the United States Navy, which includes the Events Venues at Treasure Island through December 1, 2005, and to amend the Master Lease to define the responsibilities of the parties for the maintenance of Common Areas.

DISCUSSION

On September 4, 1998, the Treasure Island Development Authority (TIDA) entered into a lease agreement with the United States Navy for Master Lease (Lease Number (N6247498RP00Q03), called the Events Venue Lease. The Lease Premises include certain land and buildings, including Building 271 (Casa de la Vista), Building 187 (the Chapel), the Great Lawn on the Western border of Treasure Island facing San Francisco and other areas. A wide variety of events ranging from weddings and receptions through picnics and parties are held in the venues available provided to TIDA through this Master Lease.

In July of 2004, TIDA and the Navy entered into discussions to establish a process under the Master Lease to fund maintenance responsibilities called for in the Cooperative Agreement. Pending resolution of these discussions, the Navy verbally agreed that the Master Lease would continue on a month-to-month basis. Discussions were completed to the satisfaction of the Navy and TIDA staff in January of 2005.

Discussions were concluded when the Navy and TIDA staff agreed to establish a mechanism which would support the terms of the Cooperative Agreement between the Navy and TIDA. According to the terms of the Cooperative Agreement TIDA has the obligation to perform certain caretaker responsibilities to the extent that the total amount paid to TIDA by the Navy for such services approximates TIDA's costs for such services. TIDA is not be obligated to continue work beyond that point. Under the original Master Lease, the Navy had the right to impose Common Service (CAM) charges for certain

services which were necessary for the beneficial use and enjoyment of the Master Leased premises – e.g., maintenance and repair of roads, streets, gutters. Subsequently, the Navy agreed to stop imposing CAM charges because TIDA had assumed many of those responsibilities pursuant to the Cooperative Agreement. However, the Navy wishes to establish a mechanism to fund services under the Cooperative Agreement that the Navy may choose to perform in the event that TIDA does not perform such services due to the funding limitation under the Cooperative Agreement. Therefore, the proposed Master Lease amendment expands the definition of Common Area Maintenance to include maintenance and repair of facilities; grounds maintenance; operation, maintenance and repair of sanitary lift station, and permit compliance consistent with such services under the Cooperative Agreement. The proposed Master Lease amendment continues the no rent provision also allows the Navy to reimpose CAM charges in the event the Navy performs such services, but only after the Navy has first given TIDA 30 days to perform such services itself. These amendments will allow the Navy to assume repair and maintenance responsibilities as the Navy considers necessary and then, after providing TIDA an opportunity to either perform those services or reimburse the Navy for the cost of repair and maintenance, to reimpose a Common Area Maintenance Charge to recover those costs. TIDA staff considers this a reasonable conclusion to the discussion because it provides the parties a mechanism to address the Common Area Maintenance needs of the island, while preserving the ability of TIDA to manage its Cash Flow.

RECOMMENDATION

Approve Staff Recommendation to retroactively Amend Lease Agreement N6247498RP00Q03 (Events Venue), said term to commence on December 2, 2004 and to expire on December 1, 2005.

1 [Amendment to Event Venue Master Lease]

2 Authorizing an Amendment to the Event Venue Master Lease between the Authority and the
3 Navy to extend the term of such Master Lease retroactively from December 2, 2004 to
4 December 1, 2005 and to allow the Navy to reinstitute common area service charges in the
5 event that the Navy provides certain services consistent with the caretaker services described
6 in the Cooperative Agreement between the Authority and the Navy.

7 **WHEREAS**, The Authority and the United States of America, acting by and through the
8 Department of the Navy (the "Navy"), entered into a master lease dated September 4, 1998,
9 for the Authority to use and rent out certain land and structures for event venues (the "Event
10 Venues Master Lease") at no rent; and,

11 **WHEREAS**, The Event Venues Master Lease enables the Authority to sublease
12 portions of the master leased area for interim uses and generate revenues to support the
13 interim uses and the future redevelopment of the former Naval Station Treasure Island; and,

14 **WHEREAS**, The Event Venues Master Lease originally allowed the Navy to impose a
15 common service charge for certain services performed by the Navy for the benefit of the
16 leased premises; and,

17 **WHEREAS**, In 2000, the Navy agreed to stop imposing a common service charge
18 under the Event Venues Master Lease; and,

19 **WHEREAS**, The Authority has entered into a Cooperative Agreement with the Navy
20 (which has been amended 18 times) under which the Authority agreed to assume certain
21 responsibilities for (i) operation and maintenance for the water, waste water, storm water,
22 electric and gas utility systems on the Base, (ii) security and public health and safety services,
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1 (iii) grounds and street maintenance and repair, and (iv) property management and caretaker
2 services, all to the extent that the Navy provided funds to the Authority to perform such
3 services; and,

4 **WHEREAS**, The Navy has not provided funds to the Authority for services under the
5 Cooperative Agreement for several years, and the Navy has on occasion performed such
6 services under the Cooperative Agreement at its expense; and,

7 **WHEREAS**, The Authority wishes to retroactively extend the term of the Event Venues
8 Master Lease at no rent from December 2, 2004 to December 1, 2005, and as a condition to
9 granting such an extension, the Navy wishes to reinstitute the right to impose a common
10 service charge for services the Navy performs which either benefit the leased premises or are
11 consistent with the caretaker services described in the Cooperative Agreement; now therefore
12 be it
13

14 **RESOLVED**, That the Board of Directors hereby authorizes the Executive Director to
15 enter into an amendment to the Event Venues Master Lease in substantially the form attached
16 hereto as Exhibit A to retroactively extend the term of such master lease from December 2,
17 2004 to December 1, 2005 and to allow the Navy to reimpose common service charges as
18 described above and set forth in further detail in Exhibit A.
19

20 **CERTIFICATE OF SECRETARY**

21
22
23 **I hereby certify that I am the duly elected and acting Secretary of the Treasure**
24 **Island Development Authority, a California nonprofit public benefit corporation, and**
25

1 that the above Resolution was duly adopted and approved by the Board of Directors
2 of the Authority at a properly noticed meeting on February 9, 2005.
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5 _____
6 Susan Po-Rufino,
7 Secretary
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**TWELFTH AMENDMENT
TO LEASE AGREEMENT N6247498RP00Q03
BETWEEN
THE UNITED STATES OF AMERICA
AND
TREASURE ISLAND DEVELOPMENT AUTHORITY**

THIS LEASE AMENDMENT made this _____ day of _____ 2005, by and between the UNITED STATES OF AMERICA, acting by and through the Department of the Navy, hereinafter called the "Government", and the TREASURE ISLAND DEVELOPMENT AUTHORITY, hereinafter called the "Lessee";

WHEREAS, the parties hereto, as of 4 September 1998, entered into Lease Agreement N6247498RP00Q03 under the terms of which the Lessee uses certain real property for space located at the former Naval Station, Treasure Island; and

WHEREAS, the parties agree to amend the terms of the Lease Agreement.

NOW THEREFORE, in consideration of the terms, covenants and conditions hereinafter set forth; the following paragraphs to Lease N6247498RP00Q03 are hereby amended to reflect the following changes:

1. Paragraph 2 **Term**, delete in its entirety and the following paragraph is inserted therefore:

"The term of this Lease shall be for a period of one (1) year beginning on 2 December 2004 and ending on 1 December 2005, unless sooner terminated in accordance with the provisions of Paragraph 14, Termination."

2. The definition of "Common Services" under Paragraph 3.1.3 is hereby amended to read as follows:

"Common Services" for the purpose of the Common Services Charge shall include, but are not limited to: fire fighting; general perimeter security (this does not include security of those portions of Leased Premises which are (1) used or occupied by Lessee, (2) subleased by Lessee to another); causeway operations, maintenance and repair; maintenance and repair of roads, streets, sidewalks, curbs and gutters; operation, maintenance and repair of street lighting, street signals and signage; operation, maintenance and repair of storm sewer; pest control; maintenance and repair of facilities; grounds maintenance; operation, maintenance and repair of sanitary lift station, and permit compliance, and general administration of these services. All Common Services shall be consistent with the Caretaker Services described in the Cooperative Agreement and its appendices as the same have been amended from time to time. Nothing in this Lease commits Government to continue to provide Common Services referenced herein.

3. Paragraph 3 **Consideration**, Delete Paragraph 3.3 in its entirety and add Paragraphs 3.3 and 3.4 as follows:

3.3 Common Service Charges will not apply as of October 1, 2000 unless reinstituted as follows:

On or after December 1, 2004, the Government, at its option, may unilaterally reinstitute the Common Service Charge in accordance with Paragraph 3.1 above in the event that

Government provides Common Services (as defined in Paragraph 3.1.3) or incurs Common Services costs. The Common Service Charge may be reinstituted on a continuing basis depending on the circumstances. The Government shall provide Lessee with copies of receipts, invoices, or other materials reasonably evidencing the Government's actual and reasonable cost of Common Services. Except in the case of emergencies, the Government shall give Lessee 30-days prior written notice of Government's intention to perform Common Services and shall provide Lessee a reasonable opportunity to perform such services at its own cost.

3.4 Common Service Charges will be paid in accordance with Sections 3.1.2 and 3.1.3 above until the Government has been fully reimbursed for its actual cost of Common Services. The parties may agree to the payment of such Common Service Charges on a one-time or other periodic basis. In the event that the Lessee disputes the amount of or the basis for any such charge, Lessee shall so notify the Government in writing of such dispute and the basis therefor no later than 60 calendar days from the date of demand. In the event of a dispute, the Lessee and Government shall resolve their dispute in accordance with the provisions of Paragraph 23 of this lease.

All other terms and conditions of the Lease Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have, on the respective dates set forth above duly executed this amendment to the Lease as of the day and year first above written.

UNITED STATES OF AMERICA

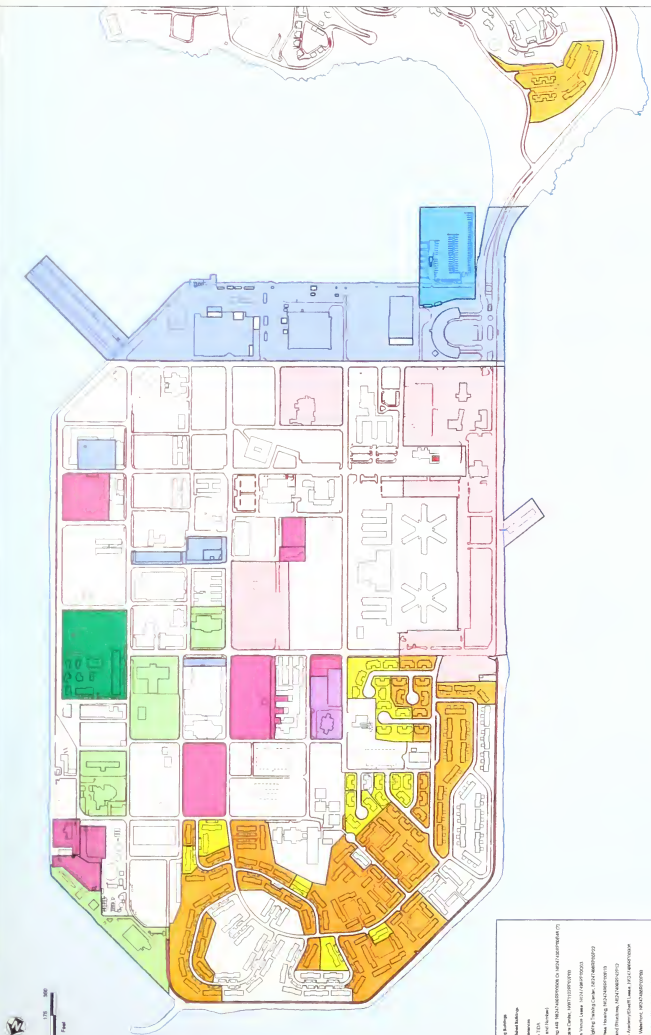
TREASURE ISLAND DEVELOPMENT
AUTHORITY

Title _____

Title _____

APPROVED AS TO FORM:

CITY ATTORNEY



Blue	Institutional
Pink	Residential
Green	Parks
Yellow	Commercial
Orange	Industrial
Light Blue	Water
Light Green	Forest
Light Yellow	Open Space
Light Orange	Unimproved Land
Light Purple	Unimproved Land
Light Brown	Unimproved Land
Light Grey	Unimproved Land
Light Blue	Water
Light Green	Forest
Light Yellow	Open Space
Light Orange	Unimproved Land
Light Purple	Unimproved Land
Light Brown	Unimproved Land
Light Grey	Unimproved Land

Notes

AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Agenda Item No. 10

February 9, 2005

Subject: Resolution authorizing the Executive Director to Execute a Sublease with Voice of Pentecost, Inc. for use of Hangar 3 and adjacent paved parking areas at \$17,372.04 per month for the production of films for a term of 12 months with the right to negotiate six additional extensions of up to 12 months each, subject to Board of Directors approval of each extension.

Staff Contact/Phone: Marc McDonald, Facilities Director
(415) 274-0660

SUMMARY OF PROPOSED ACTION

This item seeks the approval of the Authority to enter into a sublease with the Voice of Pentecost, Inc. to use Hangar 3 for the production of films at a rent of \$17,372.04 per month, plus utilities, for a term of 12 months, commencing on April 1, 2005, with the right to negotiate up to six additional 12 month extensions of the term, upon the expiration of each term.

BACKGROUND:

Voice of Pentecost, Inc., located at 1740 Ocean Avenue in San Francisco, would like to use Hangar 3 for the purpose of filming and producing motion pictures, and for other uses approved by the Executive Director in his sole and absolute discretion. Hangar 3 has been used as a film studio in the past, however lack of use and deferred maintenance have led to a deterioration of the building appearance, condition and utility. Voice of Pentecost will take the building in its current condition "AS IS". They will rent the building as the exclusive tenant with all responsibility for maintenance, repair and improvement to the facilities. Additionally, Voice of Pentecost will have the ability to sublease the premises. All subleasing will be subject to the approval of the Authority. The Authority will receive 50% of all subleasing revenue in addition to the regular base rental from Voice of the Pentecost.

The term of the sublease shall be 12 months with the right to negotiate six additional extensions of up to 12 months each, subject to Board of Directors approval of each extension. The base rent is \$17,372.04 per month or \$0.12 per square foot per month for the 144,732 square foot hangar located at the intersection of California Avenue and I Street on the Southeast side of Treasure Island.

The building has had very little use and like other vacant buildings on the island is subject to occasional acts of vandalism.

Under the proposed sublease, Voice of Pentecost will agree to (i) make \$100,000 of initial capital repairs to the premises and maintain the premises during the term of the sublease at its sole cost and expense, (ii) comply with the TIHDI Job Broker Program, (iii) comply with the prevailing wage requirements of Section A7.204 of the City and County of San Francisco Administrative Code, except that work performed by a non-profit organization approved by the Authority's Executive Director (or his designee) that provides job training and experience for disadvantaged individuals in need of such training and experience will be exempt from this requirement, and (iv) use good faith efforts to hire any and all personnel from residents of the City and County of San Francisco.

At the Board of Directors' December 2004 meeting, the Board of Directors conditionally approved a sublease of Hangar 3 to WYSIWYG Filmworks, a subsidiary of Voice of Pentecost, Inc., subject to the final negotiation of the form of the Sublease.

RECOMMENDATION:

Staff recommends approval of the sublease for Hangar 3 with Voice of Pentecost, Inc. as stated above.

1
2 **[Sublease with Voice of Pentecost, Inc.]**
3

4 **Resolution Authorizing The Executive Director To Enter Into A 12 Month Sublease With**
5 **Voice of Pentecost, Inc. For Use Of Hangar 3 For Film Production, From April 1, 2005**
6 **Through March 31, 2006 at \$17,372.04 Per Month, With The Right To Negotiate to**
7 **Extend The Term For Six Additional Terms Of Up to 12 Months Each, Subject to Board**
8 **of Directors Approval of Each Extension.**

9 **WHEREAS**, On May 2, 1997, the Board of Supervisors (the "Board") passed
10 Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a
11 nonprofit public benefit corporation known as the Treasure Island Development Authority (the
12 "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction,
13 rehabilitation, reuse and conversion of former Naval Station Treasure Island (the "Base") for
14 the public interest, convenience, welfare and common benefit of the inhabitants of the City
15 and County of San Francisco; and,

16 **WHEREAS**, Under the Treasure Island Conversion Act of 1997 (the "Act"), which
17 amended Section 33492.5 of the California Health and Safety Code and added Section 2.1 to
18 Chapter 1333 of the Statutes of 1968, the California legislature (i) designated the Authority as
19 a redevelopment agency under California redevelopment law with authority over the Base
20 upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the
21 Base which are subject to the Tidelands Trust, vested in the Authority the authority to
22 administer the public trust for commerce, navigation and fisheries as to such property; and,

23 **WHEREAS**, Under the Act and the Authority's Articles of Incorporation and Bylaws, the
24 Authority, acting by and through its Board of Directors (the "Board of Directors"), has the
25

1 power, subject to applicable laws, to enter into agreements or contracts for the procurement of
2 goods and services related to the activities and purpose of the Authority; and

3 **WHEREAS**, the Authority's Executive Director seeks to enter into a 12 month sublease
4 at \$17,372.04 per month (the "Sublease"), a copy of which is attached hereto as Exhibit A,
5 with Voice of the Pentecost, Inc. for the use of Hangar 3 for the production of motion pictures
6 and any other purposes approved by the Executive Director in his sole and absolute
7 discretion; and

8 **WHEREAS**, the Naval Station Treasure Island Reuse Plan recognizes film production
9 as one of the types of land uses to be promoted and encouraged for the Base; and

10 **WHEREAS**, all of the Premises have been underutilized for the past several years; and

11 **WHEREAS**, under the proposed Sublease, Voice of Pentecost, Inc. will agree to (i)
12 make \$100,000 of initial capital repairs to the premises and maintain the premises during the
13 term of the Sublease at its sole cost and expense, (ii) comply with the TIHDI Job Broker
14 Program, (iii) comply with the prevailing wage requirements of Section A7.204 of the City and
15 County of San Francisco Charter and Section 6.22(E) of the City and County of San Francisco
16 Administrative Code, except that work performed by a non-profit organization approved by the
17 Authority's Executive Director (or his designee) that provides job training and experience to
18 disadvantaged individuals in need of such training and experience will be exempt from this
19 requirement, and (iv) use good faith efforts to hire any and all personnel from residents of the
20 City and County of San Francisco; and,

21 **WHEREAS**, the Authority's Rules and Procedures for Transfer and Use of Real
22 Property make leases for film production activities exempt from the solicitation requirements
23 of such Rules and Procedures;
24
25

1 WHEREAS, at the Board of Directors' December meeting, the Board of Directors
2 conditionally approved a sublease of Hangar 3 to WYSIWYG Filmworks, a subsidiary of Voice
3 of Pentecost, Inc., subject to the final negotiation of the form of the Sublease; and

4 WHEREAS, Voice of Pentecost, Inc. has agreed to the form of the Sublease attached
5 hereto; now therefore be it

6 RESOLVED, That the Board of Directors hereby finds and determines as follows:

7 1. That the proposed Sublease will serve the goals of the Authority and the
8 public interests of the City; and

9 2. That the terms and conditions of the proposed Sublease are reasonable.

10 FURTHER RESOLVED, That the Board of Directors hereby approves and authorizes
11 the Executive Director to enter into the Sublease with Voice of Pentecost, Inc. for a term of 12
12 months at \$17,372.04 per month with the right to negotiate six additional extensions of 12
13 months, with each extension subject to the Board of Directors' approval in its sole and
14 absolute discretion prior to the expiration date of each term.

15 CERTIFICATE OF SECRETARY

16 I hereby certify that I am the duly elected and acting Secretary of the Treasure Island
17 Development Authority, a California nonprofit public benefit corporation, and that the
18 above Resolution was duly adopted and approved by the Board of Directors at a
19 properly noticed meeting on February 9, 2005.

20
21
22
23 _____
24 Susan Po-Rufino, Secretary
25

SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

VOICE OF PENTECOST, INC.

as Subtenant

For the Sublease of

**Building 3 at Treasure Island Naval Station
San Francisco, California**

February 1, 2005

TREASURE ISLAND SUBLEASE

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LIST OF EXHIBITS:

EXHIBIT A -- Master Lease

EXHIBIT B -- Drawing of Premises

EXHIBIT C -- Seismic Report

EXHIBIT D -- Rules and Regulations

EXHIBIT E -- Utilities

EXHIBIT F -- Form of Use Permit

EXHIBIT G -- TIHDI Work Force Hiring Plan

TREASURE ISLAND SUBLEASE

THIS SUBLEASE (the "Sublease"), dated as of _____, 2005, is by and between the Treasure Island Development Authority ("Sublandlord") and Voice of Pentecost, Inc. ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. The United States of America, acting by and through the Department of Navy ("Master Landlord") and Sublandlord entered into a lease dated September 4, 1998, as amended from time to time ("Master Lease"), a copy of which is attached hereto as Exhibit A. Under the Master Lease, the Master Landlord leased to Sublandlord, among other things, Building 3 ("Building") located on Treasure Island Naval Station ("Property"), together with a non-exclusive right to use the Paved Parking Apron adjacent to and East of Hangar Three, but no other ("Parking"). Excluded from this Sublease is the Paved Area West of Hangar Three. Subtenant may use the Paved Area South of Hangar Three for the purpose of entry to and exit from Hangar Three and for Loading and Unloading Materials into and from Hangar Three, but Subtenant shall not use the Paved Area South of Hangar Three for parking vehicles or storage of materials.

B. Subtenant desires to sublet Building 3, as more particularly shown on Exhibit B attached hereto ("the Premises") from Sublandlord and Sublandlord is willing to sublet the Premises to Subtenant on the terms and conditions contained in this Sublease.

NOW THEREFORE, Sublandlord and Subtenant hereby agree as follows:

1. PREMISES

1.1. **Subleased Premises.** Subject to the terms, covenants and conditions of this Sublease, Sublandlord subleases to Subtenant the Premises, including the improvements thereon and the non-exclusive right to use the Parking shown on Exhibit B.

1.2. As Is Condition of Premises.

(a) **Inspection of Premises.** Subtenant represents and warrants that Subtenant has conducted a thorough and diligent inspection and investigation, either independently or through its officers, directors, employees, agents, affiliates, subsidiaries, licensees and

contractors, and their respective heirs, legal representatives, successors and assigns, and each of them, ("Subtenant's Agents") of the Premises and the suitability of the Premises for Subtenant's intended use. Subtenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses. As part of its inspection of the Premises, Subtenant acknowledges its receipt and review of the Seismic Report and the Structural Report referenced in Section 1.2(c) below and the Joint Inspection Report referenced in Section 6 of the Master Lease.

(b) **As Is; Disclaimer of Representations.** Subtenant acknowledges and agrees that the Premises are being subleased and accepted in their "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind (excluding Sublandlord's representation that Sublandlord has the power and authority to enter into this Sublease, which representation shall remain in effect), and subject to all applicable laws, statutes, ordinances, resolutions, regulations, proclamations, orders or decrees of any municipal, county, state or federal government or other governmental or regulatory authority with jurisdiction over the Premises, or any portion thereof, whether currently in effect or adopted in the future and whether or not in the contemplation of the Parties, including without limitation the orders and citations of any regulatory authority with jurisdiction over life and safety issues concerning the Premises ("Laws") governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Sublease is made subject to any and all covenants, conditions, restrictions, easements and other title matters affecting the Premises, or any portion thereof, whether or not of record. Subtenant acknowledges and agrees that neither Sublandlord nor any of its officers, directors, employees, agents, affiliates, subsidiaries, licensees and contractors, and their respective heirs, legal representatives, successors and assigns ("Sublandlord's Agents") have made, and Sublandlord hereby disclaims, any representations or warranties, express or implied, concerning (i) title or survey matters affecting the Premises, (ii) the physical, geological, seismological or environmental condition of the Premises, including, without limitation, the matters described in the Seismic Report (as defined below), (iii) the quality, nature or adequacy of any utilities serving the Premises, (iv) the feasibility, cost or legality of constructing any Alterations on the Premises if required for Subtenant's use and permitted under this Sublease, (v) the safety of the Premises, whether for the use of Subtenant or any other person, including Subtenant's Agents or Subtenant's clients, customers, vendors, invitees, guests, members, licensees, assignees or subtenants ("Subtenant's Invitees"), or (vi) any other matter whatsoever relating to the Premises or their use, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose (excluding Sublandlord's representation that Sublandlord has the power and authority to enter into this Sublease, which representation shall remain in effect).

(c) **Seismic Report.** Without limiting Section 1.2 (b) above, Subtenant expressly acknowledges for itself and Subtenant's Agents that it received and read that certain

report dated August 1995, entitled "*Treasure Island Reuse Plan: Physical Characteristics, Building and Infrastructure Conditions*," prepared for the Office of Military Base Conversion, Department of City Planning, and the Redevelopment Agency of the City and County of San Francisco, (the "Seismic Report"), a copy of the cover page of which is attached hereto as Exhibit C. Subtenant has had an adequate opportunity to review the Seismic Report with expert consultants of its own choosing. The Seismic Report, among other matters, describes the conditions of the soils and the Building and points out that in the area of the Property where the Premises are located, an earthquake of magnitude 7 or greater is likely to cause the ground under and around the Premises to spread laterally to a distance of ten (10) or more feet and/or result in other risks. In that event, there is a significant risk that the Building and any other structures or improvements located on or about the Premises, may fail structurally and collapse.

Sublandlord will provide Subtenant with additional information about the seismic conditions of the Premises as it becomes available. Subtenant retains the right to terminate this Sublease at any time upon written notice to the Sublandlord if, on the basis of such additional information, it reasonably deems the Premises to be unsafe for occupancy.

2. COMPLIANCE WITH MASTER LEASE

2.1. Incorporation by Reference. All of the terms and conditions of the Master Lease are hereby incorporated by reference into this Sublease as if fully set forth herein

2.2. Performance of Master Landlord's Obligations. Sublandlord does not assume the obligations of Master Landlord under the Master Lease. With respect to work, services, repairs, restoration, the provision of utilities or HVAC services, or the performance of any other obligations required of Master Landlord under the Master Lease, Sublandlord's sole obligation with respect thereto shall be to request the same, on request in writing by Subtenant, and to use reasonable efforts to obtain the same from Master Landlord. Subtenant shall cooperate with Sublandlord as may be required to obtain from Master Landlord any such work, services, repairs, repainting, restoration, the provision of utilities or HVAC services, or the performance of any of Master Landlord's obligations under the Master Lease.

2.3. Compliance with Master Lease. Subtenant shall not do or permit to be done anything which would constitute a violation or a breach of any of the terms, conditions or provisions of the Master Lease or which would cause the Master Lease to be terminated or forfeited by virtue of any rights of termination reserved by or vested in the Master Landlord. Sublandlord acknowledges that Subtenant's activities permitted hereunder do not violate the terms of the Master Lease.

2.4. **Automatic Termination.** If the Master Lease terminates for any reason whatsoever, this Sublease shall automatically terminate and the Parties shall thereafter be relieved from all liabilities and obligations under this Sublease, except for liabilities and obligations which expressly survive termination of this Sublease. Subtenant acknowledges and agrees that it has reviewed the Master Lease, is aware of the circumstances upon which the Master Lease may be terminated and hereby assumes all risks associated with the automatic termination of this Sublease because of the termination of the Master Lease, except where the Master Lease is terminated due to the breach of Sublandlord.

3. TERM

3.1. **Term of Sublease.** The Premises are subleased for a term (the "Term") commencing on April 1, 2005 (the "Commencement Date") and expiring on March 31, 2006 (the "Expiration Date"), subject to Section 3.2 below or unless sooner terminated pursuant to the terms of this Sublease.

3.2. **Extension by Mutual Agreement of Parties.**

Good Faith Negotiation for Extension of Term. In the event that Subtenant wishes to extend the Term for an additional period of time beyond the Expiration Date, Subtenant shall provide Sublandlord with a written request to extend the Term at least ninety (90) days prior to the Expiration Date. If Subtenant provides such timely written request, Sublandlord agrees to negotiate in good faith with Subtenant to extend the Term of this Sublease, but in no event shall such obligation to negotiate in good faith require an extension that exceeds twelve (12) months. Any extension of the Term shall not be effective unless the extension is approved by Sublandlord's Board of Directors in their sole and absolute discretion. If Sublandlord and its Board of Directors approves any extension of the Term, the Expiration Date will be extended subject to any conditions that Sublandlord and/or its Board of Directors may impose, including without limitation, any increase in the Base Rent or modification of any other provisions in this Sublease. If Sublandlord and Subtenant agree upon any extension of the Term as set forth herein, Subtenant may request six (6) additional extensions of time in accordance with the provisions of this Section 3.2. If any uncured event of default by Subtenant is outstanding hereunder either at the time of Subtenant's written request to extend the Term or at any time prior to the first day of any extended Term approved by Sublandlord's Board of Directors (or if any event shall have occurred which with the giving of notice or the passage of time or both would constitute such a default), then Sublandlord may elect by notice to Subtenant to reject Subtenant's written request for extension, whereupon the Sublease shall terminate upon the Expiration Date and Subtenant shall surrender the Premises to Sublandlord in accordance with Section 18.1 of this Sublease.

3.3. **Effective Date.** This Sublease shall become effective on the date (the "Effective Date") upon which the later of (i) the Parties hereto have duly executed and delivered this Sublease, (ii) Sublandlord's Board of Directors approves this Sublease at a duly noticed meeting, or (iii) the Commencement Date.

4. RENT

4.1. **Base Rent.** Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord \$17,372.04 per month (the "Base Rent"). Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date occurs on a date other than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Rent for such fractional month shall be prorated based on a thirty (30) day month.

4.2. **Adjustments in Base Rent.** If (i) the Sublease has not been terminated and (ii) the Base Rent has not otherwise been renegotiated pursuant to Section 3.2 above, then on each anniversary date of the Commencement Date specified in Section 3.1 of the Sublease ("Adjustment Date"), the Base Rent shall be increased by the higher of 3% or the product of the following:

The Consumer Price Index Urban Wage Earners and Clerical Workers (base years 1982-1984 = 100) for San Francisco-Oakland-San Jose area published by the United States Department of Labor, Bureau of Labor Statistics ("Index") published most immediately preceding the Adjustment Date ("Adjustment Index"), shall be compared with the Index published most immediately preceding the Commencement Date ("Beginning Index").

If the Adjustment Index has increased over the Beginning Index, the Base Rent payable on and after the Adjustment Date shall be set by multiplying the Base Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used as of the date most immediately preceding the Commencement Date, the Index shall be converted in

accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

4.3. **Additional Charges.** In addition to Base Rent, Subtenant shall pay any and all real property taxes, possessory interest taxes, common area maintenance charges, and other costs, impositions and expenses, including without limitation, any common area maintenance charges that the Master Landlord may impose upon Sublandlord pursuant to the Master Lease, as provided in Section 4 hereof, plus all other charges otherwise payable by Subtenant to Sublandlord hereunder, including, without limitation, all late charges and default interest and all utility charges (together, the "Additional Charges"). Together, Base Rent and Additional Charges shall hereinafter be referred to as the "Rent".

4.4. **Late Charge.** If Subtenant fails to pay any Rent within ten (10) days after the date the same is due and payable, such unpaid amount will be subject to a late payment charge equal to six percent (6%) of the unpaid amount in each instance. The late payment charge has been agreed upon by Sublandlord and Subtenant, after negotiation, as a reasonable estimate of the additional administrative costs and detriment that Sublandlord will incur as a result of any such failure by Subtenant, the actual costs thereof being extremely difficult if not impossible to determine. The late payment charge constitutes liquidated damages to compensate Sublandlord for its damages resulting from such failure to pay and Subtenant shall promptly pay such charge to Sublandlord together with such unpaid amount.

4.5. **Default Interest.** If any Rent is not paid within ten (10) days following the due date, such unpaid amount shall bear interest from the due date until paid at the rate of the greater of the interest rate in effect which has been established by the Secretary of Treasury pursuant to Public Law, as described in Section 33 of the Master Lease, or ten percent (10%) per year. However, interest shall not be payable on late charges incurred by Subtenant nor on any amounts on which late charges are paid by Subtenant to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Subtenant.

5. TAXES, ASSESSMENTS AND OTHER EXPENSES

5.1. **Taxes and Assessments, Licenses, Permit Fees and Liens.**

(a) **Payment Responsibility.** During the Term of this Sublease, Subtenant shall pay any and all real and personal property taxes, including, but not limited to, possessory

interest taxes, general and special assessments, excises, licenses, permit fees and other charges and impositions of every description levied on or assessed against the Premises, any Alterations, Subtenant's Personal Property, or Subtenant's use of the Premises or any Alterations (prorated for Subtenant's use of the Premises). Subtenant shall make all such payments directly to the charging authority when due and payable and at least ten (10) days prior to delinquency. However, with respect to real property taxes and assessments levied on or assessed against the Premises for which Sublandlord receives the tax bill directly from the taxing authority, Subtenant shall reimburse Sublandlord for payment of such sums immediately upon demand.

(b) **Taxability of Possessory Interest.** Without limiting the foregoing, Subtenant recognizes and agrees that this Sublease may create a possessory interest subject to property taxation and that Subtenant may be subject to the payment of property taxes levied on such interest.

(c) **No Liens.** Subtenant shall not allow or suffer a lien for any taxes payable by Subtenant hereunder to be imposed upon the Premises or upon any equipment or other property located thereon without discharging the same as soon as practicable, and in no event subsequent to delinquency.

(d) **Reporting Information.** Subtenant agrees to provide such information as Sublandlord may reasonably request to enable Sublandlord to comply with any possessory interest tax reporting requirements applicable to this Sublease.

5.2. **Other Expenses.** This is a "triple net" Sublease. Accordingly, Subtenant shall be responsible for any and all other charges, costs and expenses related to its use, occupancy, operation or enjoyment of the Premises or any Alterations permitted thereon, including, without limitation, the cost of any utilities, maintenance or services necessary for Subtenant's use.

5.3. **Evidence of Payment.** Subtenant shall, upon Sublandlord's request, furnish to Sublandlord within ten (10) days after the date when any charges are due and payable, official receipts of the appropriate authority or other evidence reasonably satisfactory to Sublandlord, evidencing payment thereof.

6. **USE; COVENANTS TO PROTECT PREMISES**

6.1. **Subtenant's Permitted Use.** Subtenant may use the Premises as a production facility for motion picture, commercial and television filming and related activities, including, without limitation, production offices and sound stage construction, but for no other purposes without the prior written consent of Sublandlord, which consent may be given or withheld in Sublandlord's sole and absolute discretion.

6.2. **Subtenant's Access to the Premises.** As provided in Section 30 of the Master Lease, Subtenant will have access to the Premises on a 24-hour, seven-days-a-week basis, provided however, Subtenant shall coordinate such access with the local representative of Master Landlord.

6.3. **Rules and Regulations.** Subtenant agrees to adhere to all rules and regulations regarding the Premises attached hereto as Exhibit D, any additional rules regarding security, ingress, egress, safety and sanitation applicable to the Premises or the Property, as such rules and regulations may be prescribed by Master Landlord or Sublandlord from time to time.

6.4. **Easements.** This Sublease shall be subject to all outstanding easements and rights-of-way for location of any type of facility over, across, in, and upon the Premises or any portion thereof, and to the right of Master Landlord to grant such additional easements and rights-of-way over, across, in and upon the Premises as Master Landlord shall determine to be in the public interest ("Additional Easements"), provided that, as provided in Section 29 of the Master Lease, Master Landlord shall use its best efforts to minimize any interference with Subtenant's operations hereunder caused by the granting of any such Additional Easements and the granting of such Additional Easements shall be conditioned on the assumption by the grantee thereof of liability to Subtenant for such damages as Subtenant shall suffer for property destroyed or property rendered unusable on account of the grantee's exercise of its rights thereunder. There is hereby reserved to the holders of such Additional Easements as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair or replacement of facilities located thereon, and to any federal, state or local official engaged in the official inspection thereof, such reasonable rights of ingress and egress over the Premises as shall be necessary for the performance of their duties with regard to such facilities. Sublandlord is not aware of any Additional Easements or other encumbrances which would interfere with Subtenant's use of the Premises.

6.5. **No Interference with Navy Operations.** Subtenant shall not conduct operations, nor make any Alterations (as defined below), that would interfere with or otherwise restrict Master Landlord's operations or environmental clean-up or restoration actions by the Master Landlord, Sublandlord, the Environmental Protection Agency, the State of California or their contractors. Environmental clean-up, restoration or testing activities by these Parties shall take priority over the Subtenant's use of the Premises in the event of any conflict, provided, however, in such event, Master Landlord and Sublandlord shall use their best efforts to minimize any disruption of Subtenant's operation.

6.6. No Unlawful Uses, Nuisances or Waste. Without limiting the foregoing, but except as otherwise expressly permitted herein, Tenant shall not use, occupy or permit the use or occupancy of any of the Premises in any unlawful manner or for any illegal purpose, or permit any offensive, noisy or hazardous use or any waste on or about the Premises. Tenant shall take all precautions to eliminate any nuisances or hazards relating to its activities on or about the Premises. Tenant shall not conduct any business, place any sales display, or advertise in any manner in areas outside the Premises or on or about the Property.

7. ALTERATIONS

7.1. Construction of Alterations. Subtenant shall not construct, install, make or permit to be made any alterations, installations or additions ("Alterations") in, to or about the Premises, without Sublandlord's prior written consent in each instance, which consent may be given or withheld in Sublandlord's sole and absolute discretion, provided however, that no consent shall be required for the construction of film production sets which do not affect any structural portions of the Building. Subject to Sublandlord's consent as provided above, any permitted Alterations shall be done at Subtenant's sole expense (i) in strict accordance with plans and specifications approved in advance by Sublandlord in writing, (ii) by duly licensed and bonded contractors or mechanics approved by Sublandlord, (iii) in a good and professional manner, (iv) in strict compliance with all Laws, and (v) subject to all other conditions that Sublandlord may reasonably impose. In no event shall the construction, installation or the making of any Alterations impair the use or operation of the Property, or any portion thereof, or Sublandlord's or Master Landlord's access thereto. Prior to the commencement of any work on the Premises to construct any permitted Alterations, Subtenant, at its sole expense, shall procure all required permits and approvals and shall promptly upon receipt deliver copies of all such documents to Sublandlord. No material change from the plans and specifications approved by Sublandlord may be made without Sublandlord's prior consent, which consent shall not be unreasonably withheld. Sublandlord and Sublandlord's Agents shall have the right to inspect the course of such construction at all times.

7.2. Historic Properties. Without limiting the generality of the foregoing, Subtenant acknowledges and agrees that, pursuant to Section 15 of the Master Lease, no Alterations may be made to the Building (i) which will affect the historic characteristics of the Building or modify the appearance of the exterior of the Building without Master Landlord's and Sublandlord's prior written consent or (ii) if such Alterations would preclude qualifying the Building for inclusion on the National Register for Historic places.

7.3. Ownership of Alterations. Any Alterations constructed on or affixed to the Premises by or on behalf of Subtenant pursuant to the terms and limitations of Section 7.1 above shall be and remain Subtenant's property during the Term. Upon the termination of this

Sublease, Subtenant shall remove all such Alterations from the Premises in accordance with the provisions of Section 18 hereof, unless Sublandlord, at its sole option and without limiting any of the provisions of Section 7.1 above, requires as a condition to approval of any such Alterations that such Alterations remain on the Premises following the expiration or termination of this Sublease or unless Sublandlord as a condition of such approval reserves the right to elect by notice to Subtenant not less than fifteen (15) days prior to the end of the Term to have such Alterations remain on the Premises.

7.4. Subtenant's Personal Property. All furniture, furnishings and articles of movable personal property and equipment installed in the Premises by or for the account of Subtenant that can be removed without structural or other material damage to the Premises (all of which are herein called "Subtenant's Personal Property") shall be and remain the property of Subtenant and may be removed by it subject to the provisions of Section 18 hereof.

(a) Intellectual Property Rights. All rights of every kind and nature whatsoever in and to all photography and sound recordings made hereunder in connection with use of the Premises by Subtenant shall be and remain the sole and exclusive property of Subtenant and its agents, licensees and assigns (collectively, "Successors"), including, without limitation, the perpetual and irrevocable right to use, re-use, duplicate and re-create said photography and/or said sound recordings (including by means of motion picture, still video device, or photography), as Subtenant shall elect, and in connection with any motion picture, theme park, motion picture studio tour and/or merchandise, and in connection with any advertising, publicizing, exhibiting and exploiting of the same, in any manner whatsoever and at any time by all means, media, devices, processes and technology now or hereafter known or devised in perpetuity throughout the universe. Neither Sublandlord nor any other party now or hereafter claiming an interest in the Premises and/or interest through Sublandlord shall have any right of action against Subtenant or its Successors related to such photography and/or sound recordings, including, without limitation, any right to injunctive relief against Subtenant, its Successors, and any other party arising out of any use or non-use of said photography and/or sound recordings.

7.5. Sublandlord's Alterations of the Building and Building Systems. Sublandlord reserves the right at any time to make alterations, additions, repairs, deletions or improvements to the common areas or any other part of the Building or the Building Systems, provided that any such alterations or additions shall not materially adversely affect the functional utilization of the Premises for purposes stated herein, and provided further that such work shall comply with Subtenant's reasonable on-set rules and regulations.

8. REPAIRS AND MAINTENANCE

8.1. Subtenant Responsible for Maintenance and Repair. Subtenant assumes full and sole responsibility for the condition, operation, repair and maintenance and management of the Premises from and after the Commencement Date and shall keep the Premises in good condition and repair. Sublandlord shall not be responsible for the performance of any repairs, changes or alterations to the Premises, nor shall Sublandlord be liable for any portion of the cost thereof, except for repairs necessitated by Sublandlord's acts or omissions. Subtenant shall make all repairs and replacements, interior and exterior, structural as well as non-structural, ordinary as well as extraordinary, foreseen and unforeseen, which may be necessary to maintain the Premises at all times in the same condition as delivered to Subtenant at the Commencement Date and at all times in a clean, safe, attractive and sanitary condition and in good order and repair, to Sublandlord's and Master Landlord's reasonable satisfaction, provided, however, that neither Subtenant nor Sublandlord shall be required to make structural repairs or Alterations to correct conditions affecting the Premises existing prior to the Commencement Date other than the Initial Repairs (as hereinafter defined) that Subtenant is required to make pursuant to this Section 8.1. If any portion of the Premises is damaged by any activities conducted by Subtenant or Subtenant's Agents or Subtenant's Invitees hereunder, Subtenant shall promptly, at its sole cost, repair all such damage and restore the Premises to its previous condition. Subtenant hereby acknowledges and agrees that the Premises may be in need of certain capital repairs, including without limitation, major repairs to the roof and bathrooms (collectively, the "Initial Repairs"). Within ninety (90) days after the execution of this Sublease by Sublandlord and Subtenant, Subtenant shall provide Sublandlord, for Sublandlord's approval, with a list of the proposed Initial Repairs, together with any additional information requested by Sublandlord. Subtenant agrees to perform such Initial Repairs at Subtenant's sole cost and expense subject to Sublandlord's approval of all plans for any such Initial Repairs and Subtenant's compliance with the other requirements of Section 7.1. The foregoing notwithstanding, Subtenant shall have no duty to spend more than \$100,000 on the Initial Repairs.

8.2. Utilities. Sublandlord shall provide the basic building utilities and services described in the attached Exhibit E (the "Standard Utilities and Services") to the Premises, subject to the terms and conditions contained therein. Subtenant shall be responsible for furnishing, at its sole costs, any utilities or services other than or in excess of the Standard Utilities and Services that Subtenant may need for its use of the Premises. Subtenant shall pay as Additional Charges, without set off or counterclaim, all amounts due and owing for such Standard Utilities and Services at the rates provided in and as otherwise set forth in Exhibit E.

8.3. Landscaping. Subtenant shall maintain the exterior landscaping of the Premises in good condition and repair.

8.4. No Right to Repair and Deduct. Subtenant expressly waives the benefit of any existing or future Laws or judicial or administrative decision that would otherwise permit

Subtenant to make repairs or replacements at Sublandlord's expense, or to terminate this Sublease because of Sublandlord's failure to keep the Premises or any part thereof in good order, condition or repair, or to abate or reduce any of Subtenant's obligations hereunder on account of the Premises or any part thereof being in need of repair or replacement. Without limiting the foregoing, Subtenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 or any similar Laws with respect to any right of Subtenant to terminate this Sublease and with respect to any obligations of Sublandlord hereunder or any right of Subtenant to make repairs or replacements and deduct the cost thereof from Rent.

9. LIENS

Subtenant shall keep the Premises free from any liens arising out of any work performed, material furnished or obligations incurred by or for Subtenant. In the event Subtenant does not, within five (5) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, Sublandlord shall have in addition to all other remedies provided herein and by law or equity the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by Sublandlord and all expenses it incurs in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Sublandlord by Subtenant upon demand. Sublandlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law or that Sublandlord deems proper for its protection and protection of the Premises from mechanics' and materialmen's liens. Subtenant shall give Sublandlord at least fifteen (15) days' prior written notice of the commencement of any repair or construction on any of the Premises.

10. COMPLIANCE WITH LAWS

10.1. **Compliance with Laws.** Subtenant shall promptly, at its sole expense, maintain the Premises and Subtenant's use and operations thereon in strict compliance at all times with all present and future Laws, whether foreseen or unforeseen, ordinary as well as extraordinary, provided however, that Subtenant shall not be required to make repairs or structural changes to the Premises required solely to correct conditions affecting the Premises existing prior to the Commencement Date or not caused by Subtenant's use of the Premises, unless the requirement for such changes is imposed as a result of any Alterations made or requested to be made by Subtenant. Such Laws shall include, without limitation, all Laws relating to health and safety and disabled accessibility including, without limitation, the Americans with Disabilities Act, 42 U.S.C. §§ 12101 et seq. and Title 24 of the California Code of Regulations, all present and future Environmental Laws (as defined in this Sublease below). No occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall give Subtenant any right to seek redress against Sublandlord for failing to

comply with any Laws. Subtenant waives any rights now or hereafter conferred upon it by any existing or future Law to compel Sublandlord to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

10.2. Regulatory Approvals.

(a) **Responsible Party.** Subtenant understands and agrees that Subtenant's use of the Premises and construction of Alterations permitted hereunder may require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises. To the extent such approvals or permits are required, Subtenant shall be solely responsible for obtaining any and all such regulatory approvals. Subtenant shall not seek any regulatory approval without first obtaining the written consent of Sublandlord, which consent shall not be unreasonably withheld. Subtenant shall bear all costs associated with applying for, obtaining and maintaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval. Any fines or penalties levied as a result of Subtenant's failure to comply with the terms and conditions of any regulatory approval shall be timely and promptly paid and discharged by Subtenant, and Sublandlord shall have no liability, monetary or otherwise, for any such fines or penalties. Subtenant shall indemnify, protect, defend and hold harmless forever ("Indemnify") the Sublandlord and the Master Landlord including, but not limited to, all of their respective officers, directors, employees, agents, affiliates, subsidiaries, licensees, contractors, boards, commissions, departments, agencies and other subdivisions and each of the persons acting by, through or under each of them, and their respective heirs, legal representatives, successors and assigns, and each of them (the "Indemnified Parties") against any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, including, without limitation, reasonable attorneys' and consultants' fees and costs ("Losses") arising in connection with Subtenant's failure to obtain or comply with the terms and conditions of any regulatory approval. Sublandlord shall reasonably cooperate with Subtenant to the extent such cooperation is necessary for Subtenant to fulfill its obligations under this Section 10.2.

10.3. Compliance with Sublandlord's Risk Management Requirements. Subtenant shall not do anything, or permit anything to be done, in or about the Premises or any Alterations permitted hereunder that would create any unusual fire risk, and shall take commercially reasonable steps to protect Sublandlord from any potential premises liability. Subtenant shall faithfully observe, at its expense, any and all reasonable requirements of Sublandlord's Risk Manager with respect thereto and with the requirements of any policies of commercial general, all risk property or other policies of insurance at any time in force with respect to the Premises and any Alterations as required hereunder.

11. ENCUMBRANCES

11.1. **Encumbrance By Subtenant.** Notwithstanding anything to the contrary contained in this Sublease, Subtenant shall not under any circumstances whatsoever create any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance or assignment or pledge of an asset as security in any manner against the Premises or Sublandlord's or Subtenant's interest under this Sublease.

12. DAMAGE OR DESTRUCTION

12.1. **Damage or Destruction to the Premises.** In the case of damage to or destruction of the Premises by earthquake, fire or any other casualty, not caused by Subtenant or Subtenant's Agents or Subtenant's Invitees, whether insured or uninsured, which prevents Subtenant from operating the Premises for the purposes stated herein and the cost of repairing such damage exceeds One Hundred Thousand Dollars (\$100,000), either Party may terminate this Sublease upon thirty (30) days prior written notice and upon any such termination Subtenant shall surrender the Premises in accordance with Section 18 (except for damage caused by the casualty pursuant to which the Sublease may be terminated under this Section 12.1) and both Parties shall be relieved of any liability for such termination or for repairing such damage. If neither Party terminates this Sublease as provided in this Section 12.1, Subtenant shall, at its sole cost, promptly restore, repair, replace or rebuild the Premises to the condition the Premises were in prior to such damage or destruction, subject to any changes made in strict accordance with the requirements of Section 7.1 above. Under no circumstances shall Sublandlord have any obligation to repair, replace or rebuild the Premises in the event of such a casualty.

12.2. **No Abatement in Rent.** In the event of any damage or destruction to the Premises, and if neither party terminates this Sublease as provided in Section 12.1 above, there shall be no abatement in the Rent payable hereunder.

12.3. **Waiver.** The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of damage or destruction to the Premises or Alterations, and Sublandlord and Subtenant each hereby waives and releases any right to terminate this Sublease in whole or in part under Sections 1932.2 and 1933.4 of the Civil Code of California or under any similar Laws now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

13. ASSIGNMENT AND SUBLETTING

13.1. **Restriction on Assignment and Subletting.** Subtenant shall not directly or indirectly (including, without limitation, by merger, acquisition or other transfer of any

controlling interest in Subtenant), voluntarily or by operation of Law, sell, assign, encumber, pledge, sublease, or otherwise transfer any part of its interest in or rights with respect to the Premises or any Alterations or its interest in this Sublease, or permit any portion of the Premises to be occupied by anyone other than itself, or sublet any portion of the Premises, without Sublandlord's prior written consent in each instance, which Sublandlord may grant or withhold in its sole and absolute discretion; provided, that Sublandlord shall not unreasonably withhold its consent to an assignment, subletting or other transfer of Sublandlord's interest in or rights with respect to the Premises for the Permitted Uses described in Section 6.1 of this Sublease. Subtenant shall provide Sublandlord with a written notice of its intention to assign this Sublease or sublet the Premises, together with a copy of the proposed assignment or sublease agreement, which, unless otherwise approved in writing by Sublandlord, shall be in the form of the Use Permit attached hereto as Exhibit F, at least ten (10) business days in advance of the commencement date of the proposed assignment, sublease or other transfer.

13.2. Bonus Rental. If Sublandlord consents to an assignment, sublease or other transfer of any of Subtenant's interest in or rights with respect to the Premises pursuant to Section 13.1 above, then fifty percent (50%) of any rent or other consideration realized by Subtenant under any such assignment, sublease or other transfer shall be paid to Sublandlord immediately upon receipt by Subtenant. Subtenant shall provide Sublandlord with such information regarding the proposed assignment, sublease or other transfer as Sublandlord may reasonably request.

13.3. Cooperation Regarding Use of Premises. Sublandlord and Subtenant acknowledge that from time to time during the Term of this Sublease, Subtenant may have excess space at the Premises that Subtenant is not then using for its film production and related activities. In such case, Sublandlord and Subtenant shall cooperate in good faith to allow the Premises to be used by third parties, on a temporary basis, for film production activities and related uses, or for other uses approved by Sublandlord in its sole and absolute discretion. Any such third party use shall be subject to all of the terms and conditions of Sections 13.1 and 13.2 of this Sublease. Notwithstanding the foregoing, in no event shall Subtenant compete with any of Sublandlord's efforts to lease any other portions of the Property.

14. DEFAULT; REMEDIES

14.1. Events of Default. Any of the following shall constitute an event of default ("Event of Default") by Subtenant hereunder:

(a) **Rent.** Any failure to pay Rent or other sums, including sums due for utilities, within ten (10) days of written notice from Sublandlord that such sums are due;

(b) **Covenants, Conditions and Representations.** Any failure to perform or comply with any other covenant, condition or representation made under this Sublease, provided Subtenant shall have a period of ten (10) days from the date of written notice from Sublandlord of such failure within which to cure such default under this Sublease, or, if such default is not capable of cure within such 10-day period, Subtenant shall have a reasonable period to complete such cure if Subtenant promptly undertakes action to cure such default within such 10-day period and thereafter diligently prosecutes the same to completion and uses its best efforts to complete such cure within sixty (60) days after the receipt of notice of default from Sublandlord.

(c) **Vacation or Abandonment.** Any abandonment of the Premises for more than fourteen (14) consecutive days; and

(d) **Bankruptcy.** The appointment of a receiver to take possession of all or substantially all of the assets of Subtenant, or an assignment by Subtenant for the benefit of creditors, or any action taken or suffered by Subtenant under any insolvency, bankruptcy, reorganization, moratorium or other debtor relief act or statute, whether now existing or hereafter amended or enacted.

14.2. **Remedies.** Upon the occurrence of an Event of Default by Subtenant, Sublandlord shall have the following rights and remedies in addition to all other rights and remedies available to Sublandlord at Law or in equity:

(a) **Terminate Sublease and Recover Damages.** The rights and remedies provided by law California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate Subtenant's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Subtenant proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2. Sublandlord's efforts to mitigate the damages caused by Subtenant's breach of this Sublease shall not waive Sublandlord's rights to recover unmitigated damages upon termination.

(b) **Appointment of Receiver.** The right to have a receiver appointed for Subtenant upon application by Sublandlord to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Sublandlord pursuant to this Sublease.

14.3. Sublandlord's Right to Cure Subtenant's Defaults. If Subtenant defaults in the performance of any of its obligations under this Sublease, then Sublandlord may at any time thereafter with five (5) days prior written notice (except in the event of an emergency as determined by Sublandlord where prior notice by Sublandlord is impractical), remedy such Event of Default for Subtenant's account and at Subtenant's expense. Subtenant shall pay to Sublandlord, as Additional Charges, promptly upon demand, all sums expended by Sublandlord, or other costs, damages, expenses or liabilities incurred by Sublandlord, including, without limitation, reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Subtenant's obligations under this Section shall survive the termination of this Sublease. Nothing herein shall imply any duty of Sublandlord to do any act that Subtenant is obligated to perform under any provision of this Sublease, and Sublandlord's cure or attempted cure of Subtenant's Event of Default shall not constitute a waiver of Subtenant's Event of Default or any rights or remedies of Sublandlord on account of such Event of Default.

15. RELEASE AND WAIVER OF CLAIMS; INDEMNIFICATION

15.1. Release and Waiver of Claims. Subtenant, on behalf of itself and Subtenant's Agents, covenants and agrees that the Indemnified Parties shall not be responsible for or liable to Subtenant for, and, to the fullest extent allowed by any Laws, Subtenant hereby waives all rights against the Indemnified Parties and releases them from, any and all Losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident or death of any person or loss or damage to any property, in or about the Premises, from any cause whatsoever, including without limitation, partial or complete collapse of the Building due to an earthquake or subsidence, except only to the extent such Losses are caused by the negligence or willful misconduct of the Indemnified Parties (except as provided in Section 15.1(e) below). Without limiting the generality of the foregoing:

(a) Subtenant expressly acknowledges and agrees that the Rent payable hereunder does not take into account any potential liability of the Indemnified Parties for any consequential or incidental damages including, but not limited to, lost profits arising out of disruption to Subtenant's uses hereunder. Sublandlord would not be willing to enter into this Sublease in the absence of a complete waiver of liability for consequential or incidental damages due to the acts or omissions of the Indemnified Parties, and Subtenant expressly assumes the risk with respect thereto. Accordingly, without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action for consequential and incidental damages and covenants not to sue the Indemnified Parties for such damages arising out of this Sublease or the uses authorized hereunder, including, without limitation, any interference with uses conducted by Subtenant pursuant to this Sublease regardless of cause.

(b) Without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action against, and covenants not to sue the Indemnified Parties under any present or future Laws, statutes, or regulations, including, but not limited to, any claim for inverse condemnation or the payment of just compensation under the law of eminent domain, or otherwise at equity, in the event that Sublandlord terminates this Sublease because of such claim for inverse condemnation or eminent domain.

(c) As part of Subtenant's agreement to accept the Premises in its "As Is" condition as provided herein, and without limiting such agreement and any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the physical or environmental condition of the Premises and any related improvements or any Laws or regulations applicable thereto or the suitability of the Premises for Subtenant's intended use.

(d) Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated, and Subtenant fully RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses and any and all claims, demands or rights against any of the Indemnified Parties under any present and future Laws, including, without limitation, any and all claims for relocation benefits or assistance from the Indemnified Parties under federal and state relocation assistance laws.

(e) Without limiting any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, hereby waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the Indemnified Parties decision to Sublease the Premises to the Subtenant, regardless of whether or not such decision is or may be determined to be an act of gross negligence or willful misconduct of the Indemnified Parties.

(f) Subtenant covenants and agrees never to file, commence, prosecute or cause to be filed, commenced or prosecuted against the Indemnified Parties any claim, action or proceeding based upon any claims, demands, causes of action, obligations, damages, losses, costs, expenses or liabilities of any nature whatsoever encompassed by the waivers and releases set forth in this Section 15.1.

(g) In executing these waivers and releases, Subtenant has not relied upon any representation or statement other than as expressly set forth herein.

(h) Subtenant had made such investigation of the facts pertaining to these waivers and releases it deems necessary and assumes the risk of mistake with respect to such facts. These waivers and releases are intended to be final and binding on Subtenant regardless of any claims of mistake.

(i) In connection with the foregoing releases, Subtenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Subtenant acknowledges that the releases contained herein include all known and unknown, disclosed and undisclosed, and anticipated and unanticipated claims. Subtenant realizes and acknowledges that it has agreed upon this Sublease in light of this realization and, being fully aware of this situation, it nevertheless intends to waive the benefit of Civil Code Section 1542, or any statute or other similar law now or later in effect. The waivers and releases contained herein shall survive any termination of this Sublease.

15.2. Subtenant's Indemnity. Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties from and against any and all Losses arising out of Subtenant's use of the Premises, including but not limited to, any Losses arising directly or indirectly, in whole or in part, out of: (a) any damage to or destruction of any property owned by or in the custody of Subtenant or Subtenant's Agents or Subtenant's Invitees; (b) any accident, injury to or death of a person, including, without limitation, Subtenant's Agents and Subtenant's Invitees, howsoever or by whomsoever caused, occurring in, on or about the Premises; (c) any default by Subtenant in the observation or performance of any of the terms, covenants or conditions of this Sublease to be observed or performed on Subtenant's part; (d) the use, occupancy, conduct or management, or manner of use, occupancy, conduct or management by Subtenant, Subtenant's Agents or Subtenant's Invitees or any person or entity claiming through or under any of them, of the Premises or any Alterations; (e) any construction or other work undertaken by Subtenant on or about the Premises whether before or during the Term of this Sublease; or (f) any acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees, in, on or about the Premises or any Alterations; except to the extent that such Indemnity is void or otherwise unenforceable under any applicable Laws in effect on or validly retroactive to the date of this Sublease and further except only to the extent such Losses

are caused by the negligence or intentional wrongful acts and omissions of the Indemnified Parties. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and Sublandlord's costs of investigating any Loss. Subtenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within this indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter. Subtenant's obligations under this Section shall survive the expiration or sooner termination of this Sublease.

16. INSURANCE

16.1. **Subtenant's Insurance.** Subtenant shall procure and maintain throughout the Term of this Sublease and pay the cost thereof the following insurance:

(a) **Property Insurance.** Subtenant shall procure and maintain, at its own cost, a standard fire and extended coverage insurance policy insuring the Premises, including, without limitation, the Building and all fixtures, Alterations, furniture and equipment located thereon, in an amount not less than \$ 4,000,000.

(b) **Public Liability and Other Insurance.** Subtenant shall at all times, at its cost, also maintain insurance for the mutual benefit of Sublandlord and Subtenant against:

(i) Claims for personal injury under a policy of commercial general liability insurance, including without limitation, claims for bodily injury, property damage or employer's liability occurring in or upon the Premises, and covering all claims arising from earthquakes or subsidence, in an amount not less than \$1,000,000 combined single limit. Such insurance shall provide coverage at least as broad as provided under Insurance Service Form Number CG-00-01-11-88.

(ii) Worker's compensation insurance with employer's liability insurance covering all persons employed and with respect to whom death or bodily injury claims could be asserted against Sublandlord, Subtenant, the Premises or any other Sublandlord property, in an amount not less than \$1,000,000 each accident.

(iii) Automobile liability insurance with limits not less than \$1,000,000 each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, if Subtenant uses automobiles in connection with its use of the Premises. Such insurance shall provide coverage at least as broad as provided under Insurance Service Form Number CA-00-01-06-92.

16.2. General Requirements. All insurance provided for under this Sublease shall be effected under valid enforceable policies issued by insurers of recognized responsibility and reasonably approved by Sublandlord.

(a) Should any of the required insurance be provided under a claims-made form, Subtenant shall maintain such coverage continuously throughout the term hereof and, without lapse, for a period of three (3) years beyond the expiration or termination of this Sublease, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Sublease, such claims shall be covered by such claims made policies.

(b) All liability insurance policies shall be endorsed to provide the following:

(i) Cover Subtenant as the insured and the Sublandlord and the Master Landlord as additional insureds.

(ii) That such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Sublease, and that insurance applies separately to each insured against whom claim is made or suit is brought. Such policies shall also provide for severability of interests and that an act or omission of one of the named insureds which would void or otherwise reduce coverage shall not reduce or void the coverage as to any insured, and shall afford coverage for all claims based on acts, omissions, injury or damage which occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period.

(iii) All policies shall be endorsed to provide thirty (30) days' advance written notice to Sublandlord of cancellation, non-renewal or reduction in coverage, mailed to the address(es) for Sublandlord set forth in the Basic Sublease Information.

(c) Sublandlord shall have the right, at any time and from time to time, to increase the required amount of insurance coverage under this Sublease to the amount recommended by Sublandlord's risk manager.

16.3. Proof of Insurance. Subtenant shall deliver to Sublandlord certificates of insurance in form and with insurers satisfactory to Sublandlord, evidencing the coverages required hereunder, on or before the Commencement Date, and Subtenant shall provide Sublandlord with certificates thereafter at least thirty (30) days before the expiration dates of expiring policies. As to the insurance required pursuant to Section 16.1(b)(1) above, such certificate shall state, among other things, that such insurance coverage includes and shall cover

Subtenant's indemnity obligations under Section 15.2 above. In the event Subtenant shall fail to procure such insurance, or deliver such certificates, Sublandlord may, at its option, procure the same for the account of Subtenant, and the cost thereof shall be paid to Sublandlord within five (5) days after delivery to Subtenant of bills therefor.

16.4. No Limitation on Indemnities. Subtenant's compliance with the provisions of this Section shall in no way relieve or decrease Subtenant's indemnification obligations herein or any of Subtenant's other obligations or liabilities under this Sublease.

16.5. Lapse of Insurance. Notwithstanding anything to the contrary in this Sublease, Sublandlord may elect in Sublandlord's sole and absolute discretion to terminate this Sublease upon the lapse of any required insurance coverage by written notice to Subtenant.

16.6. Subtenant's Personal Property. Subtenant shall be responsible, at its expense, for separately insuring Subtenant's Personal Property.

16.7. Waiver of Subrogation. Notwithstanding anything to the contrary contained herein, to the extent permitted by their respective policies of insurance, Sublandlord and Subtenant each hereby waive any right of recovery against the other party and against any other party maintaining a policy of insurance covering the Premises and their contents, or any portion thereof, for any loss or damage maintained by such other party with respect to the Premises, or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of such other party. If any policy of insurance relating to the Premises carried by Subtenant does not permit the foregoing waiver or if the coverage under any such policy would be invalidated due to such waiver, Subtenant shall obtain, if possible, from the insurer under such policy a waiver of all rights of subrogation the insurer might have against Sublandlord or any other party maintaining a policy of insurance covering the same loss, in connection with any claim, loss or damage covered by such policy.

17. ACCESS BY SUBLANDLORD

17.1. Access to Premises by Sublandlord.

(a) **General Access.** Sublandlord reserves for itself and Sublandlord's Agents, the right to enter the Premises and any portion thereof at all reasonable times upon not less than twenty-four (24) hours oral or written notice to Subtenant (except in the event of an emergency) for any purpose. Except in the event of an emergency, Sublandlord's and Sublandlord's Agents' entry into the Premises shall be subject to the terms of a non-disclosure agreement between Sublandlord and Subtenant, in a form approved by Sublandlord, relating to

the non-disclosure of Subtenant's confidential intellectual property rights in Subtenant's films that are produced in the Premises.

(b) **Emergency Access.** In the event of any emergency, as determined by Sublandlord, Sublandlord may, at its sole option and without notice, enter the Premises and alter or remove any Alterations or Subtenant's Personal Property on or about the Premises. Sublandlord shall have the right to use any and all means Sublandlord considers appropriate to gain access to any portion of the Premises in an emergency. In such case, Sublandlord shall not be responsible for any damage or injury to any such property, nor for the replacement of any such property and any such emergency entry shall not be deemed to be a forcible or unlawful entry onto or a detainer of, the Premises, or an eviction, actual or constructive, of Subtenant from the Premises or any portion thereof.

(c) **No Liability.** Sublandlord shall not be liable in any manner, and Subtenant hereby waives any claims, for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of Sublandlord's entry onto the Premises, except damage resulting directly and exclusively from the negligence or willful misconduct of Sublandlord or Sublandlord's Agents and not contributed to by the acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees.

17.2. **Access to Premises by Master Landlord.** Subtenant acknowledges and agrees that Master Landlord shall have all of the rights of access to the Premises described in the Master Lease.

18. SURRENDER

18.1. **Surrender of the Premises.** Upon the termination of this Sublease, Subtenant shall surrender to Sublandlord the Premises in the same condition as of the Commencement Date, ordinary wear and tear excepted, and free and clear of all liens, easements and other Encumbrances created or suffered by, through or under Subtenant. On or before any termination hereof, Subtenant shall, at its sole cost, remove any and all of Subtenant's Personal Property from the Premises and demolish and remove any and all Alterations from the Premises (except for any Alterations that Sublandlord agrees are to remain part of the Premises pursuant to the provisions of Section 7.3 above). In addition, Subtenant shall, at its sole expense, repair any damage to the Premises resulting from the removal of any such items and restore the Premises to their condition immediately prior to the presence of any Alterations. In connection therewith, Subtenant shall obtain any and all necessary permits and approvals, including, without limitation, any environmental permits, and execute any manifests or other documents necessary to complete the demolition, removal or restoration work required hereunder. Subtenant's obligations under this Section shall survive the termination of this Sublease. Any items of Subtenant's Personal

Property remaining on or about the Premises after the termination of this Sublease may, at Sublandlord's option and after thirty (30) days written notice to Subtenant, be deemed abandoned and in such case Sublandlord may dispose of such property in accordance with Section 1980 et seq. of the California Civil Code or in any other manner allowed by Law.

18.2. No Holding Over. Subtenant shall have no right to hold over without the prior written consent of Sublandlord, which consent may be withheld in Sublandlord's sole and absolute discretion. If Subtenant holds over the Premises or any part thereof after expiration or earlier termination of this Sublease, such holding over shall be terminable upon written notice by Sublandlord, and the Base Rent shall be increased to two hundred percent (200%) of the Base Rent in effect immediately prior to such holding over, and such holdover shall otherwise be on all the other terms and conditions of this Sublease. This Section shall not be construed as Sublandlord's permission for Subtenant to hold over. Acceptance of any holdover Base Rent by Sublandlord following expiration or termination of this Sublease shall not constitute an extension or renewal of this Sublease.

18.3. Indemnity for Holding Over. If Subtenant fails to surrender the Premises to Sublandlord upon the termination of this Sublease as required by this Section 18, Subtenant shall Indemnify Sublandlord against all Losses resulting therefrom, including, without limitation, Losses made by a succeeding Subtenant resulting from Subtenant's failure to surrender the Premises.

19. HAZARDOUS MATERIALS

19.1. No Hazardous Materials. Subtenant covenants and agrees that neither Subtenant nor any of Subtenant's Agents or Subtenant's Invitees shall cause or permit any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment, including, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Sections 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of any existing improvements on the Premises, or are naturally occurring substances on, in or about the Premises; and petroleum, including crude oil or any fraction thereof, and natural gas or natural gas liquids ("Hazardous Material") to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or transported to or from the Premises without the prior written approval of Sublandlord, which approval may be withheld in Sublandlord's sole and absolute

discretion. Subtenant shall immediately notify Sublandlord if and when Subtenant learns or has reason to believe there has been any release of Hazardous Material in, on or about the Premises. Sublandlord may from time to time request Subtenant to provide adequate information for Sublandlord to determine that any Hazardous Material permitted hereunder is being handled in compliance with all applicable federal, state or local Laws or policies relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal, discharge or storage) or to human health and safety, industrial hygiene or environmental conditions in, on, under or about the Premises and any other property, including, without limitation, soil, air and groundwater conditions ("Environmental Laws"), and Subtenant shall promptly provide all such information. Sublandlord and Sublandlord's Agents shall have the right to inspect the Premises for Hazardous Material and compliance with the provisions hereof at all reasonable times upon reasonable advance oral or written notice to Subtenant (except in the event of an emergency). Without limiting the foregoing, Subtenant acknowledges and agrees that it shall be bound by and will comply with the environmental protection provisions provided for in Section 13 of the Master Lease.

19.2. Subtenant's Environmental Indemnity. If Subtenant breaches any of its obligations contained in Section 19.1 above, or, if any act or omission or negligence of Subtenant or any of Subtenant's Agents or Subtenant's Invitees results in any spilling, leaking, pumping, pouring, emitting, discharging, injecting, escaping, leeching or dumping ("Release") of Hazardous Material in, on, under or about the Premises or the Property, without limiting Subtenant's general Indemnity contained in Section 15.2 above, Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties, and each of them, from and against any and all enforcement, investigation, remediation or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Environmental Laws together with any and all Losses made or threatened by any third party against Sublandlord, Sublandlord's Agents, or the Premises, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, Release or discharge of any Hazardous Materials caused by Subtenant or its agents or invitees, including, without limitation, Losses based in common law, investigation and remediation costs, fines, natural resource damages, damages for decrease in value of the Premises, the loss or restriction of the use or any amenity of the Premises and attorneys' fees and consultants' fees and experts' fees and costs ("Hazardous Materials Claims") arising during or after the Term of this Sublease and relating to such Release caused by Subtenant or its agents or invitees. The foregoing Indemnity includes, without limitation, all costs associated with the investigation and remediation of Hazardous Material and with the restoration of the Premises or the Property to its prior condition including, without limitation, fines and penalties imposed by regulatory agencies, natural resource damages and losses, and revegetation of the Premises or other Sublandlord property. Without limiting the foregoing, if Subtenant or any of Subtenant's Agents or Subtenant's Invitees, causes or permits the Release of any Hazardous Materials in, on, under or about the Premises or the Property,

Subtenant shall, immediately, at no expense to Sublandlord, take any and all appropriate actions to return the Premises or other Sublandlord property affected thereby to the condition existing prior to such Release and otherwise investigate and remediate the Release in accordance with all Environmental Laws. Subtenant shall provide Sublandlord with written notice of and afford Sublandlord a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, permit, approvals, or other compromise or proceeding involving Hazardous Material.

19.3. Acknowledgement of Receipt of EBS and FOSL Reports. Subtenant hereby acknowledges for itself and Subtenant's Agents that, prior to the execution of this Sublease, it has received and reviewed the Environmental Baseline Survey ("EBS") and the Finding of Suitability to Lease ("FOSL") described in Section 7 of the Master Lease.

20. GENERAL PROVISIONS

20.1. Notices. Except as otherwise expressly provided in this Sublease, any notice given hereunder shall be effective only in writing and given by delivering the notice in person, or by sending it first class mail or certified mail with a return receipt requested or reliable commercial overnight courier, return receipt requested, with postage prepaid as follows:

Notice Address of Sublandlord: Treasure Island Development Authority
410 Ave. of Palms
Building 1, 2nd Floor
Treasure Island
San Francisco, CA 94130
Attn: Tony Hall Executive Director
Phone No. 415-274-0660
Fax No.: 415-274-0299

with a copy to: Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Donnell Choy
Fax No.: (415) 554-4756

Notice Address of Subtenant:

Richard Gazowsky
VOICE OF PENTECOST, INC.
1970 Ocean Ave.
San Francisco, CA. 94127
Phone No.: (415) 333-0384
Fax No.: (415) 333-0326

Notice Address of Master Landlord: Commanding Officer (Code 24)

Engineering Field Activity West
Naval Facilities Engineering Command
900 Commodore Drive
San Bruno, California 94066

Any Party hereunder may designate a new address for notice purposes hereunder at least ten (10) days prior to the effective date of such change. Any notice hereunder shall be deemed to have been given two (2) days after the date when it is mailed if sent by first class or certified mail, one day after the date it is made, if sent by commercial overnight carrier, or upon the date personal delivery is made, and any refusal by either Party to accept the attempted delivery of any notice, if such attempted delivery is in compliance with this Section 20.1 and applicable Laws, shall be deemed receipt of such notice.

20.2. Security Deposit. Subtenant shall pay to Sublandlord by certified check or wire transfer upon execution of this Sublease a security deposit in the amount of Thirty Five Thousand Dollars (\$ 35,000) as security for the faithful performance of all terms, covenants and conditions of this Sublease. Subtenant agrees that Sublandlord may (but shall not be required to) apply the security deposit in whole or in part to remedy any damage to the Premises caused by Subtenant, Subtenant's Agents or Subtenant's Invitees, or any failure of Subtenant to perform any other terms, covenants or conditions contained in this Sublease, without waiving any of Sublandlord's other rights and remedies hereunder or at Law or in equity. Should Sublandlord use any portion of the security deposit to cure any Event of Default by Subtenant hereunder, Subtenant shall immediately replenish the security deposit to the original amount, and Subtenant's failure to do so within five (5) days of Sublandlord's notice shall constitute a material Event of Default under this Sublease. Sublandlord's obligations with respect to the security deposit are solely that of debtor and not trustee. Sublandlord shall not be required to keep the security deposit separate from its general funds, and Subtenant shall not be entitled to any interest on such deposit. The amount of the security deposit shall not be deemed to limit Subtenant's liability for the performance of any of its obligations under this Sublease. To the extent that Sublandlord is not entitled to retain or apply the security deposit pursuant to this Section 20.3, Sublandlord shall return such security deposit to Sublandlord within forty-five (45) days of the termination of this Sublease.

20.3. No Implied Waiver. No failure by Sublandlord to insist upon the strict performance of any obligation of Subtenant under this Sublease or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, no acceptance of full or partial Rent during the continuance of any such breach, and no acceptance of the keys to or possession of the Premises prior to the expiration of the Term by any Agent of Sublandlord, shall constitute a waiver of such breach or of Sublandlord's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Sublease. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of Sublandlord given in any instance under the terms of this Sublease shall not relieve Subtenant of any obligation to secure the consent of Sublandlord in any other or future instance under the terms of this Sublease. The provisions of the Section 20.3 shall be mutual to the extent applicable.

20.4. Amendments. Neither this Sublease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the Parties hereto.

20.5. Authority. The person signing below for Sublandlord represents and warrants that Sublandlord is a non-profit, public benefit corporation, and an instrumentality of the State of California and the City and County of San Francisco, and that he or she has the right and authority to execute this Sublease. If Subtenant signs as a corporation, a partnership or a limited liability company, each of the persons executing this Sublease on behalf of Subtenant does hereby covenant and warrant that Subtenant is a duly authorized and existing entity, that Subtenant has and is qualified to do business in California, that Subtenant has full right and authority to enter into this Sublease, and that each and all of the persons signing on behalf of Subtenant are authorized to do so. Upon Sublandlord's request, Subtenant shall provide Sublandlord with evidence reasonably satisfactory to Sublandlord confirming the foregoing representations and warranties. Without limiting the generality of the foregoing, Subtenant represents and warrants that it has full power to make the waivers and releases, indemnities and the disclosure set forth herein, and that it has received independent legal advice from its attorney as to the advisability of entering into a sublease containing those provisions and their legal effect.

20.6. Joint and Several Obligations. The word "Subtenant" as used herein shall include the plural as well as the singular. If there is more than one Subtenant, the obligations and liabilities under this Sublease imposed on Subtenant shall be joint and several.

20.7. Interpretation of Sublease. The captions preceding the articles and sections of this Sublease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Sublease. This Sublease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intents and purposes of the Parties, without any presumption against the party responsible for drafting any part of this Sublease. Provisions in this Sublease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or Sublandlord holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Sublease, whether or not language of non-limitation, such as "without limitation" or similar words, are used. Unless otherwise provided herein, whenever the consent of Sublandlord is required to be obtained by Subtenant hereunder, Sublandlord may give or withhold such consent in its sole and absolute discretion.

20.8. Successors and Assigns. Subject to the provisions of Section 13, the terms, covenants and conditions contained in this Sublease shall bind and inure to the benefit of Sublandlord and Subtenant and, except as otherwise provided herein, their personal representatives and successors and assigns; provided, however, that upon any transfer by Sublandlord (or by any subsequent Sublandlord) of its interest in the Premises as lessee, including any transfer by operation of Law, Sublandlord (or any subsequent Sublandlord) shall be relieved from all subsequent obligations and liabilities arising under this Sublease subsequent to such transfer.

20.9. Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the Sublease contemplated herein. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes a claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Sublease.

20.10. Severability. If any provision of this Sublease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Sublease shall be valid and be enforceable to the fullest extent permitted by Law.

20.11. Governing Law. This Sublease shall be construed and enforced in accordance with the Laws of the State of California and the federal government.

20.12. Entire Agreement. This instrument (including the exhibits hereto, which are made a part of this Sublease) contains the entire agreement between the Parties and supersedes all prior written or oral negotiations, discussions, understandings and agreements. The Parties further intend that this Sublease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts of this Sublease and any changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Sublease. Subtenant hereby acknowledges that neither Sublandlord nor Sublandlord's Agents have made any representations or warranties with respect to the Premises or this Sublease except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Subtenant by implication or otherwise unless expressly set forth herein.

20.13. Attorneys' Fees. In the event that either Sublandlord or Subtenant fails to perform any of its obligations under this Sublease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Sublease, the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees. For purposes of this Lease, reasonable fees of attorneys of the Office of the San Francisco City Attorney (Sublandlord's General Counsel) shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City and County of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

20.14. Time of Essence. Time is of the essence with respect to all provisions of this Sublease in which a definite time for performance is specified.

20.15. Cumulative Remedies. All rights and remedies of either party hereto set forth in this Sublease shall be cumulative, except as may otherwise be provided herein.

20.16. Survival of Indemnities. Termination of this Sublease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Sublease, nor shall it affect any provision of this Sublease that expressly states it shall survive termination hereof. Subtenant specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Sublease, Subtenant has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter.

20.17. Relationship of Parties. Sublandlord is not, and none of the provisions in this Sublease shall be deemed to render Sublandlord, a partner in Subtenant's business, or joint venturer or member in any joint enterprise with Subtenant. This Sublease is not intended nor shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided. The granting of this Sublease by Sublandlord does not constitute authorization or approval by Sublandlord of any activity conducted by Subtenant on, in or relating to the Premises.

20.18. Recording. Subtenant agrees that it shall not record this Sublease nor any memorandum or short form hereof in the official records of any county.

20.19. Non-Liability of Indemnified Parties' Officials, Employees and Agents. No elective or appointive board, commission, member, officer or employee of any of the Indemnified Parties shall be personally liable to Subtenant, its successors and assigns, in the event of any default or breach by Sublandlord or for any amount which may become due to Subtenant, its successors and assigns, or for any obligation of Sublandlord under this Agreement.

20.20. No Discrimination. Subtenant shall comply with the non-discrimination provisions of Section 19.1 of the Master Lease, including, without limitation, posting all notices required therein.

20.21. Production/Film Coordination. No filming on the Premises shall depict the U.S. Military in any manner and no filming will be allowed outside of the Building unless Subtenant obtains prior written approval from the Master Landlord. Subtenant further acknowledges and agrees to verify in writing to Master Landlord that any production being filmed at the Premises does not depict the U.S. Military in any manner (or to obtain the Master Landlord's consent thereto) and to furnish a copy of the shooting script to the Department of the Navy ("DON"), Navy Office of Information, 11000 Wilshire Blvd., Los Angeles, California 90024. Whether the U.S. Military is being depicted is the only aspect of script content that is appropriate for DON review. The portrayal of any subject material other than the U.S. Military is the sole responsibility of the Subtenant.

20.22. Acknowledgment of Sublandlord in Credits. Provided that the Picture is photographed in whole or in part at the Premises, Subtenant agrees to use good faith efforts to acknowledge the cooperation of the City and County of San Francisco and the Treasure Island Development Authority in the credits of the Picture on all positive prints of the Picture in the end titles. All other matters with respect to said credit, including, without limitation, the size, style, nature and placement thereof, shall be within the sole discretion of Subtenant. No casual or inadvertent failure of Subtenant to comply with the provisions of this Paragraph nor any failure on the part of third parties so to do shall constitute a breach of this Agreement by Subtenant.

20.23. Counterparts. This Sublease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20.24. Master Landlord's Consent. This Sublease is expressly conditioned upon receipt of the written consent of Master Landlord

20.25. Rights to Photographs and Sound Recordings. All rights to the photography and sound recordings made by Subtenant in connection with the Premises shall be solely owned by Subtenant in perpetuity in all media known and unknown throughout the Universe and Sublandlord shall have no rights, including, but not limited to, injunctive relief rights, with respect to the use or non-use of any photography and/or sound recordings by Subtenant and/or its affiliates.

21. SPECIAL PROVISIONS

21.1. **Signs.** Subtenant agrees that it will not erect or maintain, or permit to be erected or maintained, any signs, notices or graphics upon or about the Premises which are visible in or from public corridors or other portions of any common areas of the Building or from the exterior of the Premises, without Sublandlord's prior written consent, which Sublandlord may withhold or grant in its sole discretion.

21.2. **Public Transit Information.** Subtenant shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Subtenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Building and encouraging use of such facilities, all at Subtenant's sole expense.

21.3. **TIHDI Job Broker.** Subtenant shall comply with the requirements of the TIHDI Work Force Hiring Plan attached hereto as Exhibit G.

21.4. **Local Hiring.** Subtenant further agrees to use good faith efforts to hire residents of the City and County of San Francisco at all levels of Subtenant's personnel needs and to contract with local businesses for Subtenant's purchases of supplies, materials, equipment or services.

21.5. **Non-Discrimination in City Contracts and Benefits Ordinance.**

(a) **Covenant Not to Discriminate.** In the performance of this Sublease, Subtenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with Subtenant, in any of Subtenant's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Subtenant.

(b) **Sub-Subleases and Other Subcontracts.** Subtenant shall include in all sub-subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such sub-subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Subtenant shall incorporate by reference in all sub-subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative

Code and shall require all sub-subtenants and other subcontractors to comply with such provisions. Subtenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Sublease

(c) Non-Discrimination in Benefits. Subtenant does not as of the date of this Sublease and will not during the Term, in any of its operations in San Francisco or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the Sublease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Subtenant shall comply fully with and be bound by all of the provisions that apply to this Sublease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Subtenant understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Sublease may be assessed against Subtenant and/or deducted from any payments due Subtenant.

21.6. No Relocation Assistance; Waiver of Claims. Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated or expires by its own terms, and Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims against, and covenants not to sue, Sublandlord, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from Sublandlord under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Sublease with respect to a Taking.

21.7. MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco

also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Subtenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

21.8. Tropical Hardwood Ban. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

21.9. Conflicts of Interest. Subtenant states that it is familiar with the provisions of Section 8.105 and 8.106 of the San Francisco Charter and certifies that it knows of no facts which would constitute a violation of such provisions. Subtenant further certifies that it has made a complete disclosure to the Sublandlord of all facts bearing on any possible interests, direct or indirect, which Subtenant believes any officer or employee of the Sublandlord presently has or will have in this Sublease or in the performance thereof or in any portion of the profits thereof. Willful failure by Subtenant to make such disclosure, if any, shall constitute grounds for the Sublandlord's termination and cancellation of this Sublease.

21.10. Prevailing Wages. With respect to the construction of the Initial Repairs or any other Alterations, Subtenant agrees that any employee performing services for Subtenant shall be paid not less than the highest prevailing rate of wages as required by Section A7.204 of the City and County of San Francisco Charter and Section 6.22(E) of the San Francisco Administrative Code, shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco, California. Subtenant shall require any contractor to provide, and shall deliver to Sublandlord every two weeks during any construction period, certified payroll reports with respect to all persons performing labor in the construction of the Initial Repairs or any Alterations. Notwithstanding the foregoing, any work that is performed by a non-profit organization approved by Sublandlord's Executive Director (or his designee) that provides job training and work experience for disadvantaged individuals in need of such training and experience shall be exempt from the requirements of this Section 21.10.

21.11. Prohibition of Tobacco Advertising. Subtenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the Authority, including the Premises and the Property. This prohibition includes the placement of the name of a company producing selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local or non-profit entity designed to communication the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

Sublandlord and Subtenant have executed this Sublease in triplicate as of the date first written above.

SUBTENANT:

VOICE OF PENTECOST, INC.

By: _____

Its: _____

SUBLANDLORD:

**THE TREASURE ISLAND DEVELOPMENT
AUTHORITY**

By: _____

Its: Executive Director

Approved as to Form:

Deputy City Attorney

EXHIBIT A

MASTER LEASE



N6247498RP00003

LEASE

BETWEEN

THE UNITED STATES OF AMERICA

AND

TREASURE ISLAND DEVELOPMENT AUTHORITY

FOR

EVENT VENUES

NAVAL STATION TREASURE ISLAND

N6247498RP00003

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22. Failure to Insist on Compliance
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24. Covenant Against Contingent Fees
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28. Subject to Existing and Future Easements and Rights-of-Way
29. Ingress-Egress and Parking
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34. Special Provisions
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LEASE
BETWEEN
THE UNITED STATES OF AMERICA
AND
TREASURE ISLAND DEVELOPMENT AUTHORITY

THIS LEASE, made as of this 4th day of September, 1998, is by and between THE UNITED STATES OF AMERICA, acting by and through the Department of the Navy, herein called "Government", and TREASURE ISLAND DEVELOPMENT AUTHORITY, acting by and through the City and County San Francisco, a non-profit public benefit corporation, herein called "Lessee";

WITNESSETH:

WHEREAS, Government has declared certain real and personal property, as more particularly described as the Leased Premises in Paragraph 1, surplus at the Naval Station Treasure Island, San Francisco, California, (the "Installation"), and Lessee has identified an immediate need to use such real and personal property; and

WHEREAS, the Secretary of the Navy, pursuant to the provisions of 10 U.S.C. § 2667 (f)(1), has determined that this Lease will facilitate state and local economic adjustment efforts pending final disposition of the Leased Premises; and

WHEREAS, the Secretary of the Navy, pursuant to 10 U.S.C. § 2667 (f)(2) has determined that a public interest will be served as a result of this Lease, the fair market value of the Lease is either unobtainable or not compatible with such public benefit, and consequently, consideration for this Lease will be at less than fair market value; and

WHEREAS, the Secretary of the Navy, after consultation with the Environmental Protection Agency Administrator has determined that the Leased Premises is suitable for lease, and the uses contemplated for the Lease are consistent with protection of human health and the environment; and

WHEREAS, Lessee is recognized by the Secretary of the Defense, through the Office of Economic Adjustment, as the local redevelopment authority with the responsibility for the redevelopment of the Installation; and

WHEREAS, Lessee is a municipal corporation, created and organized under the laws of the State of California, with the power to acquire, lease and dispose of federal military installations, and Lessee desires to enter into this Lease to further reuse efforts at the Installation.

NOW THEREFORE, in consideration of the terms, covenants, and conditions set forth in this Lease, Government and Lessee hereby agree as follows:

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1. LEASED PREMISES:

Subject to the terms and conditions of this Lease, Government does hereby lease, rent, and demise to Lessee, and Lessee does hereby hire and rent from Government, Buildings 140 (24,169 SF), 187 (9,884 SF), 227 (13,200 SF), 262 (12,150 SF), 265 (4,496 SF) and 271 (7,788 SF); Pier 23; Tennis Courts (6); open space, parking areas and landscaping, all comprising approximately 1,683,130.24 square feet (38.64 acres) of land, areas as shown on Exhibit A, attached hereto, together with all improvements; and all personal property described in Exhibit B attached hereto, and all rights of ingress and egress to such real property (together, the "Leased Premises").

2. TERM:

The term of this Lease shall be for a period of two (2) years beginning on 4/1/1998 and ending 3/31/2000, unless sooner terminated in accordance with the provisions of Paragraph 14, Termination.

3. CONSIDERATION:

3.1 As consideration for this Lease, Lessee agrees to (i) actively market the Installation and attempt to sublease those portions of the Leased Premises which are suitable for subleasing, (ii) provide protection and maintenance to the extent described in Paragraph 12 for those portions of the Leased Premises which are or have been during the term of this Lease used or occupied by Lessee or subleased by Lessee to another and (iii) pay Government the Common Services Charge described in Sections 3.1.2 and 3.1.3 below.

3.1.1 As additional consideration, subject to annual appropriations by Lessee's Board of Supervisor's, Lessee shall apply any Revenue (as defined herein) received from subleasing the Premises as follows: first, to reimburse itself for marketing and property management expenses incurred by Lessee; and second, for expenses incurred by Lessee for improvements to the Installation. If sufficient funds for the purposes described in this Section 3.1.1 are not appropriated for any reason in any fiscal year of the Lease after the fiscal year in which the Term of this Lease commences, then Government may terminate this Lease, without liability, upon thirty (30) calendar days written notice.

"Revenue" as referred to herein means rental income and any other miscellaneous income derived from the subletting of the Leased Premises less (i) sales tax, use and occupancy tax, franchise tax and any other taxes, building fees, planning fees and inspection fees related to the use and occupancy of the Leased Premises, and (ii) Lessee's cost of operating, maintaining, protecting and repairing the Leased Premises including, without limitation, any Common Services Charges paid to Government pursuant to this Section 3.1.

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3.1.2 Lessee shall be responsible for paying the cost of services incurred by Government and provided for the benefit of Lessee and sublessees as described and in the amount set forth in Paragraph 3.1.3 (the "Common Services Charge"). Lessee shall pay Government the Common Services Charge on the first day of each month.

3.1.3 The Common Services Charge will be calculated as follows:

\$0.050 per square foot per month of occupied building space (1) used or occupied by Lessee; (2) subleased by Lessee to another.

\$0.003 per square foot per month of land area (1) used or occupied by Lessee; (2) subleased by Lessee to another.

The Common Services Charge may be revised by Government and Lessee on an annual basis, or at other times only upon mutual agreement of Government and Lessee or as required by Section 3.1.4 below.

"Common Services" for the purpose of the Common Services Charge shall include, but are not limited to: fire fighting; general perimeter security (this does not include security of those portions of Leased Premises which are (1) used or occupied by Lessee, (2) subleased by Lessee to another); causeway operations, maintenance and repair; maintenance and repair of roads, streets, sidewalks, curbs and gutters; operation, maintenance and repair of street lighting, street signals and signage; operation, maintenance and repair of storm sewer; pest control, and general administration of these services. Nothing in this Lease commits Government to continue to provide Common Services referenced herein.

3.1.4 If and to the extent Government reduces, modifies or ceases to provide all or portion of the Common Services described herein or to the extent Lessee assumes the responsibility for such Common Services pursuant to a cooperative agreement or other agreement with Government, the Common Services Charge shall be proportionately reduced, to an amount mutually agreed upon by Government and Lessee, so that at all times during the term of this Lease the amount of the Common Services Charge shall accurately and in substantially the same proportion as provided herein reflect the costs of Government in providing such Common Services.

3.1.5 If the Government expects to incur any unanticipated costs which are specifically attributable to an action or inaction of the Lessee, its sublessees, or assigns, the Lessee and the Government shall meet and confer on ways to avoid or mitigate such costs and, if the costs can not be entirely avoided, the Lessee and Government shall mutually determine the amount that Lessee shall pay from revenue in addition to the Common Services Charge to defray those costs that cannot be avoided or mitigated. If the Lessee and Government are unable to reach agreement on a way to

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avoid or mitigate the unanticipated costs or the amount of compensation that the Lessee shall pay to the Government to defray such costs, their dispute shall be resolved in accordance with the provisions of Paragraph 23 of this Lease.

3.2 Consistent with standard accounting practices for tax purposes, Lessee shall keep adequate records and books of account showing the actual cost to it of all items of labor, material, equipment, supplies, services and other items of cost incurred by it directly in the performance of any item of work or service in the nature of marketing and management; the repair, restoration, protection and maintenance of Leased Premises which is required by Paragraph 12; or otherwise approved or directed by Government. Lessee shall provide Government with access to such records and books of account and proper facilities for inspection thereof at all reasonable times.

4. USE OF LEASED PREMISES:

4.1 The Leased Premises may be used and operated by Lessee for special events and other appropriate site specific uses. Lessee understands and acknowledges that this is not and does not constitute a commitment by Government with regard to the ultimate disposal of Leased Premises, in whole or in part, to Lessee or any agency or instrumentality thereof, or to any sublessee. The Lease may be terminated by Government or Lessee as provided by the terms of the Lease pursuant to Paragraph 14, and Lessee and Government agree to and acknowledge such terms.

4.2 Lessee shall not undertake any activity that may affect an identified historic or archeological property, including excavation, construction, alteration or repairs of Leased Premises, without the approval of Government. Buried cultural materials may be present on the Leased Premises. If such materials are encountered, Lessee shall stop work immediately and notify Government.

5. SUBLETTING:

5.1 Lessee shall not sublet the Leased Premises or any interest therein or any property thereon, or grant any interest, privilege or license whatsoever in connection with this Lease without the prior written consent of Government. Such consent shall not be unreasonably withheld or delayed. Each sublease shall contain or incorporate by reference the environmental protection provisions set forth in Paragraph 13 herein. Under no circumstance shall Lessee assign this Lease without Government's prior written consent, except that no consent shall be required in connection with an assignment of this Lease to a successor to Lessee which is the local redevelopment authority for the Installation recognized by the Secretary of Defense, through the Office of Economic Adjustment.

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5.2 Any sublease granted by Lessee shall contain a copy of this Lease as an attachment and be subject to all terms and conditions of this Lease and shall terminate immediately upon the expiration or any earlier termination of this Lease, without any liability on the part of Government to Lessee or any sublessee. Under any sublease made, with or without consent, the sublessee shall be deemed to have assumed the obligations of Lessee under this Lease that relate to the portion of the Leased Premises subleased to such sublessee. No sublease shall relieve Lessee of any of its obligations hereunder.

5.3 Lessee shall furnish Government, for its prior written consent, a copy of each sublease it proposes to execute. Such consent may include a requirement that Lessee renegotiate the sublease to conform with the provisions of this Lease. The determination by Government as to the acceptability of a particular sublease shall principally include approval of the sublessee with respect to its proposed uses of the Leased Premises, the capability of the sublessee to perform its obligations under the sublease, and the conformity of the sublease to the provisions of this Lease. Such consent shall not be unreasonably withheld or delayed. Consent to any sublease shall not be taken or construed to diminish or enlarge any of the rights or obligations of either of the parties under this Lease. Should a conflict arise between the provisions of this Lease and a provision of the sublease, the provisions of this Lease shall take precedence. Upon its execution, a copy of the sublease shall immediately be furnished to Government.

5.4 Either party hereto shall, from time to time during the Term, upon not less than twenty (20) calendar days' prior written notice from the other party, execute, acknowledge and deliver to the other party, or such persons or entities designated by such other party, a statement in writing certifying: (a) the commencement date and expiration date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (c) that there are no defaults under this Lease (or if so, specifying the same), (d) the dates, if any, to which the Common Services Charge and any other consideration required hereunder has been paid.

6. JOINT INSPECTION & INVENTORY REPORT:

6.1 Joint Inspection. Representatives of the Lessee and Government shall conduct a joint inspection of all portions of the Leased Premises to be (1) beneficially used or occupied by the Lessee; (2) assigned by the Lessee to another; or (3) subleased by Lessee to another for any purpose. Such inspections shall be completed before any such use begins and may include a representative of the sublessee if appropriate. Based on the joint inspection, a complete inventory of Government property located on the Leased Premises and a report of the condition of the Leased Premises, including the condition of improvements, appurtenances and personal property thereon, has been prepared and is attached to this Lease as Exhibit C.

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6.2 No Warranty by Government. All facilities and property delivered to the Lessee shall be delivered "as is, where is," and, as such, the Government makes no warranty as to such facilities and property either as to their usability generally or as to their fitness for any particular purpose. As provided in Section 12 of this Lease, Lessee shall, at no expense to Government, maintain those portions of the Leased Premises which Lessee uses or subleases, and will from time to time make or cause to be made all necessary and proper repairs, replacements, and renewals which shall thereupon become part of the Leased Premises. During the term of this Lease, Government shall have no responsibility, financial or otherwise, except as otherwise described herein with respect to protection and maintenance of the Leased Premises.

6.3 In accordance with 32 CFR §91.7(h), governing the disposition of personal property at closing military bases, Personal Property shall be identified throughout the Installation for use in connection with redevelopment of the Installation. At no expense to Government, and only with Government approval, Personal Property may be relocated from other buildings to the Leased Premises in order to facilitate redevelopment, including exclusive use thereof by the sublessee during the Term of this Lease. Each inventory, upon completion, shall be identified by building or facility number, and signed and dated by both parties to this Lease and attached to this Lease as part of the Joint Inspection Report attached hereto as Exhibit C.

7. ENVIRONMENTAL BASELINE SURVEY AND FINDINGS OF SUITABILITY TO LEASE:

An Environmental Baseline Survey for Lease (EBSL) and a Finding of Suitability to Lease (FOSL) are attached to this Lease as Exhibit D and made part of this Lease. The EBSL sets forth the existing environmental conditions of the Leased Premises as represented by the baseline survey which has been conducted by Government. The FOSL sets forth the basis for the Government's determination that Leased Premises are suitable for leasing. Lessee is hereby made aware of the information contained in the FOSL attached hereto as Exhibit D and shall comply with applicable restrictions set forth therein.

8. ALTERATIONS:

8.1 Lessee shall not construct, make or permit its sublessees to construct or make any substantial alterations, additions, excavations, improvements to, installations upon or otherwise modify or alter the Leased Premises in any way, including those which may adversely affect the remediation of hazardous materials on the Installation (together, "Alterations") without the prior written consent of Government. Such consent may not be unreasonably withheld or delayed, but may involve, where reasonably necessary, a requirement for Lessee or Lessee's contractor to provide the government with a performance and payment bond satisfactory to it in all respects and other requirements deemed reasonably necessary to protect the interests of the Government.

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8.2 Upon termination of this Lease, as directed by Government, Lessee shall, at the option of the Government either:

8.2.1 Promptly remove all alterations, additions, betterments and improvements made or installed and restore the Leased Premises to the same or as good condition as existed on the date of entry under this Lease, reasonable wear and tear and acts of God excepted; or

8.2.2 Abandon such additions or alterations in place, at which time title to such alterations, improvements and additions shall vest in Government.

8.2.3 In either event all personal property and trade fixtures of Lessee or any third person may be removed from the Leased Premises and Lessee shall repair any damage to the Leased Premises resulting from such removal.

9. ACCESS BY GOVERNMENT:

In addition to access required under Paragraph 13, at all reasonable times throughout the term of this Lease, Government shall be allowed reasonable access to the Leased Premises for any purpose. Government will give Lessee or any sublessee at least twenty-four (24) hour prior notice of its intention to enter the Leased Premises, unless it determines the entry is immediately required for safety, environmental, operations or security purposes. Lessee shall have no claim on account of any entries against Government or any officer, agent, employee, contractor or subcontractor of Government. All keys to the buildings and facilities occupied by Lessee or any sublessee shall be made available to Government upon request.

10. UTILITIES AND SERVICES:

Procurement of utilities (i.e., electricity, water, gas, sewer, telephone and trash removal) will be the responsibility of Lessee. Lessee agrees to obtain needed utility services from any private or municipal supplier who should, during the term of Lease, become able to deliver such services to Leased Premises. In the event that Government shall furnish Lessee with any utilities or services maintained by Government which Lessee may require in connection with its use of Leased Premises, Lessee shall pay Government the cost incurred in providing such utilities or services in the amounts set forth in Exhibit E attached hereto, which rates shall be determined by Government and Lessee in accordance with applicable laws and regulations. Lessee, at no cost to Government, shall install metering devices for utilities serving the Leased Premises prior to its occupancy. The volume of utilities used by Lessee shall be determined by such metering devices. It is expressly agreed and understood that Government in no way warrants the continued availability, maintenance or adequacy of any utilities or services furnished to Lessee.

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11. NON-INTERFERENCE WITH GOVERNMENT OPERATIONS:

Lessee shall not conduct operations nor make any alterations that would interfere with or otherwise restrict operations, environmental clean-up or restoration actions by Navy, Environmental Protection Agency (EPA), applicable state equivalent, or their contractors. Environmental clean-up, restoration or testing activities by these parties shall take priority over Lessee's use of Leased Premises in the event of any conflict. However, Government and Lessee agree to coordinate to minimize potential conflicts between necessary remediation of environmental contamination, including investigation and remedial actions, and Lessee's and any sublessee's use of Leased Premises.

12. PROTECTION AND MAINTENANCE SERVICES:

12.1 Except as otherwise specifically provided herein, Lessee shall furnish or cause to be furnished all labor, supervision, materials, supplies and equipment necessary to the operation, maintenance and repair of the following building systems and appurtenances located in or on the Leased Premises: structural (including roof), fencing, plumbing, electrical, heating and cooling systems; exterior utility systems (including fire hydrants and mains); pavement and grounds maintenance (including grass cutting, shrub trimming and tree removal); pest and weed control; security and fire protection within Leased Premises; refuse collection, removal and disposal; and utilities maintenance necessary for the protection of Leased Premises. Government shall not be required to furnish any services or facilities to Lessee or to make any repair or alteration in or to Leased Premises. Lessee hereby assumes the full and sole responsibility for the protection, maintenance and repair of Leased Premises set forth in this paragraph. For specifics as to such protection and maintenance required to be provided by Lessee hereunder, the following provisions shall apply:

12.1.1 The degree of maintenance and repair services to be furnished by Lessee hereunder shall be that which is sufficient to assure weather tightness, structural stability (excluding any seismic retrofit and/or modification to foundations resulting from extraordinary natural occurrences such as earthquakes, floods and landslides), protection from fire hazards or erosion, and elimination of safety and health hazards which arise during the term of the Lease and which are not caused by the actions of Government or its employees, contractors or agents, so that the Leased Premises being serviced will remain in the condition in which they existed at the commencement of the Lease as documented in the Joint Inspection and Inventory Report prepared pursuant to Paragraph 6, ordinary wear and tear and acts of God excepted. Prior to use and occupancy, Lessee shall correct the safety and health hazards described on Exhibit F.

12.2 During the term of this Lease, debris, trash and other useless materials placed on the Leased Premises during the term of this Lease shall be promptly removed from the Leased Premises. Upon termination or expiration of this Lease, the Leased

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Premises shall be left without containers, Lessee's equipment, and other undesirable materials placed on the Leased Premises during the term of this Lease (except by Government) and in as clean condition as received by Lessee.

12.3 Lessee shall provide or cause to be provided all security services necessary to assure security and safety within the Leased Premises. Any crimes or other offenses, including traffic offenses and crimes and offenses involving damage to or theft of Government property, shall be reported to the appropriate authorities for their investigation and disposition and to Government as property owner.

12.4 Lessee shall take or cause to be taken, all reasonable and necessary fire protection precautions at the Leased Premises. Such precautions may include, but are not limited to, the maintenance of any sprinkler system that exists on the effective date of this Lease and/or the provision of portable fire extinguishers for fire protection of Leased Premises.

12.5 Lessee is responsible for the repair and maintenance of all interior utility systems and those exterior utility systems, distribution lines, connections and equipment which solely support the Leased Premises. This responsibility extends from the Leased Premises to the point of connection with the utility system which serves users other than Lessee.

12.6 Lessee shall ensure only trained and qualified persons are utilized in performance of the maintenance and protection services specified in this paragraph.

13. ENVIRONMENTAL PROTECTION PROVISIONS:

13.1 Lessee, sublessees and contractors shall comply with all applicable Federal, state and local laws, regulations and standards that are or may become applicable during the term of this Lease to Lessee's activities on the Leased Premises.

13.2 Lessee or any sublessee shall be solely responsible for obtaining, at no cost to Government, any environmental permits required for its operations under the Lease, independent of any existing permits held by the Government. Nothing in this Lease shall require Lessee to become a secondary discharger or co-permittee on any existing environmental permit held by Government relating to the operation of the Installation, including, without limitation, any environmental permits associated with the operation of the Installation's sewage treatment plant. Any and all environmental permits required for any of Lessee's or sublessees' operations or activities will be subject to prior concurrence of the Commanding Officer, Engineering Field Activity West, Naval Facilities Engineering Command. Lessee acknowledges that the Government will not consent to being named a secondary discharge or co-permittee for any operations or activities of the Lessee or any sublessee under the Lease. In the event the Government is

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named as a secondary discharger or co-permittee for any activity or operation of the Lessee or any sublessee, Government shall have the right to take reasonable actions necessary to prevent, suspend, or terminate such activity or operation, including terminating this Lease, without liability or penalty.

13.3 Government's rights under this Lease specifically include the right for Government officials to inspect upon reasonable notice the Leased Premises for compliance with environmental, safety and occupational health laws and regulations, whether or not Government is responsible for enforcing them. Such inspections are without prejudice to the right of duly constituted enforcement officials to make such inspections. Government will give Lessee or sublessee twenty-four (24) hours prior notice of its intention to enter Leased Premises unless it determines the entry is immediately required for safety, environmental, operations or security purposes. Lessee shall have no claim on account of any entries against the United States or any officer, agent, employee, contractor or subcontractor thereof.

13.4 Government and its officers, agents, employees, contractors and subcontractors have the right, upon reasonable notice to Lessee and any sublessee, to enter upon the Leased Premises for the purposes enumerated in this subparagraph:

13.4.1 to conduct investigations and surveys, including, where necessary, drilling, soil and water sampling, testpitting, testing soil borings and other activities related to the Installation Restoration Program (IRP);

13.4.2 to inspect field activities of Government and its contractors and subcontractors in implementing the IRP;

13.4.3 to conduct any test or survey related to implementation of the IRP or environmental conditions at Leased Premises or verify any data submitted to EPA or applicable state equivalent by Government relating to such conditions;

13.4.4 to construct, operate, maintain or undertake any other response or remedial action as required or necessary under the IRP, including but not limited to monitoring wells, pumping wells and treatment facilities.

13.5 Lessee agrees to comply with the provisions of any health or safety plan in effect under the IRP during the course of any of the above described response or remedial actions. Any inspection, survey, investigation or other response or remedial action will, to the extent practicable, be coordinated with representatives designated by Lessee and any sublessee. Lessee and sublessee shall have no claim on account of such entries against the United States or any officer, agent, employee, contractor or subcontractor thereof. In addition, Lessee shall comply with all applicable Federal, state and local occupational safety and health regulations.

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13.6 Lessee further agrees that if the Leased Premises are subject to ongoing environmental remediation by Government, during such period, Lessee shall provide to EPA and applicable state equivalent by certified mail a copy of any sublease of the Leased Premises within fourteen (14) calendar days after the effective date of such sublease. Lessee may delete the financial terms and any other proprietary information from the copy of any agreement of assignment or sublease furnished pursuant to this condition.

13.7 Lessee shall strictly comply with the hazardous waste permit requirements under the Resource Conservation and Recovery Act or its applicable state equivalent. Except as specifically authorized by Government in writing, Lessee must provide at its own expense such hazardous waste management facilities as required by its use of the Leased Premises, complying with all laws and regulations. Government hazardous waste management facilities will not be available to Lessee. Any violation of the requirements of this condition shall be deemed a material breach of this Lease.

13.8 DOD component accumulation points for hazardous and other waste will not be used by Lessee or any sublessee. Neither will Lessee or sublessee permit its hazardous wastes to be commingled with hazardous waste of DOD Component.

13.9 Before beginning operations on the Leased Premises, Lessee shall have a Government-approved plan for responding to hazardous waste, fuel and other chemical spills. Such plan shall be independent of the Installation plan and, except for initial fire response and/or spill containment, shall not rely on the use of Installation personnel or equipment. Should Government provide to the Leased Premises any personnel or equipment whether for initial fire response and/or spill containment, or otherwise on request of Lessee, or because Lessee was not, in the reasonable opinion of Government, conducting timely cleanup actions, Lessee agrees to reimburse Government for its reasonable and actual costs in association with such response or cleanup upon receipt of an invoice for such costs.

13.10 Lessee shall not conduct or permit its sublessees to conduct any subsurface excavation, digging, drilling or other disturbance of the surface without the prior written approval of Government, which consent shall not be unreasonably withheld or delayed.

13.11 To the extent required by law and regulation, Government shall abate, remove or otherwise remedy all friable, accessible and damaged asbestos containing material (ACM), lead based paint (LBP) and polychlorinated biphenyls (PCBs) from Leased Premises. The presence of known ACM, LBP or PCBs shall be fully identified in an Environmental Baseline Survey (EBS) and/or Supplemental Environmental Baseline Survey (SEBS), attached as an Exhibit.

13.11.1 Except as provided in Paragraph 13.11.2, Government is not responsible for any removal or containment of asbestos containing materials (ACM). If Lessee intends to make any improvements or repairs that require the removal of asbestos, an appropriate asbestos disposal plan must be incorporated into the plans and specifications and submitted to Government. The asbestos disposal plan will identify the proposed disposal site for the asbestos, or in the event the site has not been identified, will provide for disposal at a licensed facility authorized to receive it.

13.11.2 Government shall be responsible for the removal or containment of the ACM identified as requiring abatement shown on Exhibit G attached hereto as damaged or deteriorated ACM. Government agrees to abate these listed items of damaged or deteriorated ACM. Government may choose the most economical means of abating any damaged or deteriorated ACM, which may include removal, repair or containment (encapsulation), or a combination of removal, repair and containment. The foregoing obligation of Government does not apply to any ACM other than that identified in Exhibit G. Notwithstanding Paragraph 13.11.1 above, in an emergency, Lessee will notify Government as soon as practicable of its emergency ACM responses. Lessee shall be responsible for monitoring the condition of existing ACM on Leased Premises for deterioration or damaged and accomplishing repairs or abatement pursuant to the applicable conditions of this Lease.

13.12 Lessee shall indemnify and hold harmless Government from any costs, expenses, liabilities, fines or penalties resulting from discharges, emissions, spills, storage or disposal arising from Lessee's occupancy, use or operations, or any other action by Lessee or any sublessee during the term of this Lease giving rise to Government liability under Federal, state or local environmental laws. Lessee's obligations hereunder shall apply whenever Government incurs costs or liabilities as a result of Lessee's activities or activities of any sublessee as provided hereunder. However, this indemnity does not extend to those damages which are due to the fault or negligence of Government or its contractors. This provision shall survive the expiration or termination of this Lease.

13.13 The responsibility of Government to indemnify and hold harmless the Lessee and any sublessee against any toxic torts and other environmental claims shall be in accordance with Public Law 102-484, the National Defense Authorization Act for Fiscal Year 1993, Section 330, as amended.

13.14 If Lessee or a sublessee encounters pre-existing conditions caused by the Government which require the Government to take action in accordance with Federal, State or local law to remove, remediate, correct, or abate hazardous substances, pollutants or contaminants, the Lessee or sublessee shall promptly notify the Government, cease performance, and secure the work site. Vacation of the Leased Premises, or any part

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thereof, will be directed pursuant to the provisions of Section 15 of this Lease. The Government will take necessary and appropriate actions, as required by Federal, State or local law, and bear the cost of such removal, remediation, corrective action, or abatement, subject to the availability of funds for such purpose.

14. TERMINATION:

14.1 Government shall have the right to terminate this Lease, in whole or in part, without liability, upon thirty (30) calendar days written notice:

14.1.1 In the event of the Government making a final decision on disposal of the Leased Premises that is inconsistent with continued use thereof by Lessee under this Lease; or

14.1.2 In the event of a national emergency as declared by the President or the Congress of the United States and Government makes a determination that such national emergency requires termination of this Lease; or

14.1.3 If, at any time after January 1, 2003, (a) Government has complied with all applicable legal requirements to convey fee title to the Premises, (b) Government has satisfied in full all of its obligations under this Lease, (c) Government tenders to Lessee a conveyance of fee ownership of the Premises after negotiating in good faith with respect to establishing reasonable terms, conditions of, and consideration for such conveyance, and (d) Lessee fails to accept such conveyance within one hundred eighty (180) calendar days of written notice of such tender; or

14.1.4 In the event of a breach by Lessee of any of the terms and conditions hereof. In the event of a breach involving the performance of any obligation, Lessee shall be afforded thirty (30) calendar days from the receipt of Government's written notice of intent to terminate to complete performance of the obligation or otherwise cure the subject breach and avoid termination of this Lease, unless Government determines that a shorter period is required for safety, environmental, operations or security purposes. In the event that Government shall elect to terminate this Lease on account of the breach by Lessee of any of the terms and conditions, Government shall be entitled to recover and Lessee shall pay to Government:

14.1.4(a) The costs incurred in resuming possession of the Leased Premises.

14.1.4(b) The costs incurred in performing any obligation on the part of the Lessee to be performed hereunder, but only after notice to Lessee and the expiration of all applicable cure periods.

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14.1.4(c) An amount equal to the aggregate of any maintenance obligations and charges assumed hereunder and not paid or satisfied, which amounts shall be due and payable at the time when such obligations and charges would have accrued or become due and payable under this Lease.

14.2 Lessee shall have the right to terminate this Lease upon thirty (30) calendar days written notice to Government in the event of breach by Government of any of the terms and conditions hereof. In the event of a breach involving the performance of any obligation, Government shall be afforded thirty (30) calendar days from the receipt of Lessee's notice of intent to terminate to complete performance of the obligation or otherwise cure the subject breach and avoid termination of this Lease. Lessee shall also have the right to terminate this Lease in the event of damage to or destruction of all of the improvements on Leased Premises or such a substantial portion thereof as to render Leased Premises incapable or impracticable of use for the purposes for which it is leased hereunder, provided:

14.2.1 Government either has not authorized or directed the repair, rebuilding or replacement of the improvements or has made no provision for payment for such repair, rebuilding or replacement by application of insurance proceeds or otherwise; and

14.2.2 That such damage or destruction was not occasioned by the fault or negligence of Lessee or any of its officers, agents, servants, employees, subtenants, licensees or invitees, or by any failure or refusal on the part of Lessee to fully perform its obligations under this Lease.

14.2.3. If Government requires Lessee or any sublessee to vacate all or a substantial portion of Leased Premises pursuant to any provision of this Lease for a period in excess of thirty (30) calendar days, Lessee may terminate this Lease by written notice to Government given at any time while Lessee shall continue to be denied use of all or a substantial portion of Leased Premises. Lessee shall thereafter surrender possession of Leased Premises within fifteen (15) calendar days of such notice.

15. ENVIRONMENTAL CONTAMINATION:

In the event environmental contamination is discovered on the Leased Premises which creates, in Government's determination, an imminent and substantial endangerment to human health or the environment which necessitates evacuation of the Leased Premises, and notwithstanding any other termination rights and procedures contained in this Lease, Lessee shall vacate or require any sublessee to vacate Leased Premises immediately upon notice from Government of the existence of such a condition. Exercise of this right by Government shall be without liability, except that Lessee shall not be responsible for the payment of consideration, the amount of deduction to be determined on a daily pro-rata basis, during the period Leased Premises is vacated, and Lessee shall have the right to

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terminate this Lease if, as provided in Section 14.3 above, Lessee or any sublessee is deprived of the beneficial use and occupancy of the Leased Premises for a period in excess of thirty (30) days. Government's exercise of this right herein to order the Leased Premises immediately vacated does not alone constitute a termination of the Lease, but such right may be exercised in conjunction with any other termination rights provided in this Lease or by law.

16. NON-ENVIRONMENTAL INDEMNIFICATION BY LESSEE:

The Lessee shall hold harmless, indemnify, and defend the Government from and against any suit, claim, demand or action, liability, judgment, cost or other fee arising out of any claim for injury or damage that results from, or is any manner predicated upon activities of the Lessee on the Leased Property during the term of the Lease. This indemnification applies to any fines, claims, demands and causes of action of every nature whatsoever which may be made upon, sustained or incurred by Government by reasons of any breach, violation, omission or non-performance of any term, covenant or condition hereof on the part of Lessee or the employees, agents, servants, guests, invitees and sublessees of Lessee. This indemnification also applies to claims arising out of the furnishing of any utilities or services by Government or any interruption therein or failure thereof, whether or not the same shall be occasioned by the negligence or lack of diligence of Lessee, its officers, agents, servants, employees or sublessees. However, this indemnity does not extend to those damages which are due to the fault or negligence of Government or its contractors. This covenant shall survive the termination of this Lease.

17. INSURANCE:

17.1 At the commencement of this Lease, Lessee shall obtain, from a reputable insurance company or companies, liability insurance or shall maintain a program of self-insurance. The insurance shall provide an amount not less than a minimum combined single limit of \$10 million, for any number of persons or claims arising from any one incident with respect to bodily injuries or death resulting therefrom, property damage or both, suffered or alleged to have been suffered by any person or persons resulting from the operations of Lessee, sublessees, contractors and invitees under the terms of this Lease. Lessee shall provide Government certificates of its self-insurance or require its insurance company to furnish Government a copy of the policy or policies, or if acceptable to Government, certificates of insurance evidencing the purchase of such insurance. The minimum amount of liability insurance coverage is subject to revision by Government every three years or upon renewal or modification of this Lease.

17.2 As to those structures and improvements on Leased Premises constructed by or owned by Government, Lessee shall procure and maintain at Lessee's cost a standard fire and extended coverage insurance policy or policies or a program of self-insurance on the Leased Premises in an amount sufficient to demolish damaged or destroyed structures and improvements, remove debris and clear the Leased Premises. Should Lessee elect to

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purchase commercial insurance in lieu of self-insurance, Lessee shall procure such insurance from a reputable company or companies. In that event, the insurance policy shall provide that in the event of loss thereunder, the proceeds of the policy or policies, at the election of Government, shall be payable to Lessee to be used solely for the demolition of damaged or destroyed structures and improvements, removal of debris and clear the Leased Premises or for repair, restoration, or replacement of the property damaged or destroyed. Any balance of the proceeds not required for such purposes shall be paid to Government. If Government does not elect, by notice in writing to the insurer within thirty (30) calendar days after the damage or destruction occurs, to have the proceeds paid to Lessee for the purposes herein above set forth, then such proceeds shall be paid to Government, provided however that the insurer, after payment of any proceeds to Lessee in accordance with the provision of the policy or policies, shall have no obligation or liability with respect to the use or disposition of the proceeds by Lessee. Nothing herein contained shall be construed as an obligation upon Government to repair, restore or replace Leased Premises or any part thereof.

17.3 If and to the extent required by law, Lessee shall provide workmen's compensation or similar insurance or self-insurance in form and amounts required by law.

17.4 During the entire period this Lease shall be in effect, Lessee shall require its contractors or sublessees or any contractor performing work at Lessee's or sublessee's request on Leased Premises to carry and maintain the insurance required below:

17.4.1 Comprehensive general liability insurance, including, but not limited to, contractor's liability coverage and contractual liability coverage, of not less than \$3 million, per occurrence with respect to personal injury or death, and \$5 million, per occurrence with respect to property damage.

17.4.2 Workman's compensation or similar insurance in form and amounts required by law.

17.5 Should Lessee purchase commercial insurance in lieu of self-insurance, all insurance which this Lease requires Lessee or sublessee to carry and maintain or cause to be carried or maintained shall be in such form, for such periods of time, and with such insurers as Government may reasonably require or approve. In that event, all policies or certificates issued by the respective insurers for public liability and property insurance will name Government as an additional insured, provide that any losses shall be payable notwithstanding any act or failure to act or negligence of Lessee or Government or any other person, provide that no cancellation, reduction in amount, or material change in coverage thereof shall be effective until at least thirty (30) calendar days after receipt by Government of written notice thereof; provide that the insurer shall have no right of subrogation against Government; and be reasonably satisfactory to Government in all other respects. In no circumstances will Lessee be entitled to assign to any third party, rights of action which Lessee may have against Government.

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17.6 Lessee and sublessees shall deliver or cause to be delivered promptly to Government a certificate of insurance or self-insurance evidencing the insurance required by this Lease and shall also deliver no later than thirty (30) calendar days prior to expiration of any such policy, a certificate of insurance evidencing each renewal policy covering the same risks.

18. LABOR PROVISION:

During the term of this Lease, Lessee agrees as follows:

18.1 Lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Lessee shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rate of pay or other forms of compensation and selection for training, including apprenticeship. Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by Government setting forth the provisions of this nondiscrimination clause.

18.1.1 Lessee shall, in all solicitations or advertisements for employees placed at Leased Premises by or on behalf of Lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

18.1.2 Lessee shall send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding a notice to be provided by Government, advising the labor union or worker's representative of Lessee's commitments under this equal opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment

18.1.3 Lessee shall comply with all provisions of Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and of the rules, regulations and relevant orders of the Secretary of Labor.

18.1.4 Lessee shall furnish all information and reports required by Executive order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and of the rules, regulations and relevant orders of the Secretary of Labor or pursuant thereto, and will permit access to his books, records and accounts by Government and the Secretary of Labor for purposes of investigating to ascertain compliance with such rules, regulations and orders.

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18.1.5 In the event of Lessee's noncompliance with the equal opportunity clause of this Lease or with any of said rules, regulations or orders, this Lease may be canceled, terminated or suspended in whole or in part, after the expiration of all applicable cure periods, and Lessee may be declare ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, as amended by Executive order 11375 of October 13, 1967, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, or by rule, regulation or order of the Secretary of Labor, or otherwise provided by law.

18.1.6 Lessee will include the above provisions in every sublease unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, so that such provisions will be binding upon each sublessee. Lessee will take such action with respect to any sublessee as Government may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event Lessee becomes involved, or is threatened with litigation with sublessee as a result of such direction by Government, Lessee may request the United States to enter into such litigation to protect the interest of the United States.

18.2 This Lease, to the extent that it is a contract of a character specified in the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) and is not covered by the Walsh-Healy Public Contracts Act (41 U.S.C. 35-45), is subject to the following provisions and exceptions of said Contract Work Hours and Safety Standards Act and to all other provisions and exceptions of said law.

18.2.1 Lessee shall not require or permit any laborer or mechanic in any workweek in which he is employed on any work under this Lease to work in excess of 40 hours in such work week on work subject to the provisions of the Contract Work Hours Standards Act unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all such hours worked in excess of 40 hours in such work week. The "basic rate of pay", as used in this clause, shall be the amount paid per hour, exclusive of Lessee's contribution or cost for fringe benefits and any cash payment made in lieu of providing fringe benefits or the basic hourly rate contained in the wage determination, whichever is greater.

18.2.2 In the event of any violation of the provision of Paragraph 18.2.1, Lessee shall be liable to any affected employee for any amounts due, and to the United States for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of paragraph 18.2.1 in the sum of ten \$10.00 for each calendar day on which such employee

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was required or permitted to be employed on such work in excess of the standard workday of 8 hours or in excess of the standard work week of 40 hours without payment of the overtime wages required by Paragraph 18.2.1.

18.3 In connection with the performance of work required by this Lease, Lessee agrees not to employ any person undergoing a sentence of imprisonment at hard labor.

19. SUBMISSION OF NOTICES:

Notices shall be sufficient under this Lease if made in writing and to the addressees as

Lessee: City and County of San Francisco
Ms. Annemarie Conroy
San Francisco Mayor's Office
Treasure Island Project
410 Palm Ave. Bldg. 1, Room 237
Treasure Island
San Francisco, CA 94130

Government: Commanding Officer (Code 624)
Engineering Field Activity - West
Naval Facilities Engineering Command
900 Commodore Drive
San Bruno, CA 94066-5000

The individuals so designated above shall be representatives of the parties and the points of contact during the period of this Lease.

20. AUDIT:

This Lease shall be subject to audit by any and all cognizant Government agencies. Lessee shall make available to such agencies for use in connection with such audits all records which it maintains with respect to this Lease and copies of all reports required to be filed hereunder.

21. AMENDMENTS:

This Lease shall not be amended or modified unless in writing and signed by both parties. No oral statements or representation made by, for or on behalf of either party shall be a part of this Lease. Should a conflict arise between the provisions of this Lease and any exhibit hereto, or any other agreement between Government and Lessee, the provisions of this Lease shall take precedence.

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22. FAILURE TO INSIST ON COMPLIANCE:

The failure of Government or Lessee to insist, in any one or more instances, upon performance of any of the terms, covenants or conditions of this Lease shall not be construed as a waiver or relinquishment of Government's or Lessee's right to the future performance of any such terms, covenants or conditions and Government's and Lessee's respective obligations in respect of such future performance shall continue in full force and effect.

23. DISPUTES:

23.1 This lease is subject to the Contract Disputes Act of 1978, as amended (41 U.S.C. 601-613) (the Act).

23.2 Except as provided in the Act, all disputes arising under or relating to this Lease shall be resolved under this clause.

23.3 "Claim", as used in this clause, means a written demand or written assertion by Lessee or Government seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of lease terms, or other relief arising under or relating to this Lease. A claim arising under this Lease, unlike a claim relating to this Lease, is a claim that can be resolved under a lease clause that provides for the relief sought by the claimant. However, a written demand or written assertion by Lessee seeking the payment of money exceeding \$100,000 is not a claim under the Act until certified as required by subparagraph 23.4 below. A voucher, invoice or other routine request for payment that is not in dispute when submitted, is not a claim under the Act. The submission may be converted to a claim under the Act, by complying with the submission and certification requirements of this clause, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.

23.4 A claim by Lessee shall be made in writing and submitted within six (6) years after accrual of the claim, to the Engineering Field Activity West (ATTN.: Code 624), Naval Facilities Engineering Command, 900 Commodore Drive, San Bruno, CA 94066-5006 herein called "Command", for a written decision. A claim by the Government against Lessee shall be subject to a written decision by the Command.

23.4.1 Lessee shall provide the certification specified in subparagraph 23.4.3 of this clause when submitting any claim:

- (a) Exceeding \$100,000; or
- (b) Regardless of the amount claimed, when using:

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- (1) Arbitration conducted pursuant to 5 U.S.C. 575-580; or
- (2) Any other alternative means of dispute resolution (ADR)

technique that the agency elects to use in accordance with the Administrative Dispute Resolution Act (ADRA).

23.4.2 The certification requirement does not apply to issues in controversy that have not been submitted as all or part of a claim.

23.4.3 The certification shall state as follows: "I certify that the claim is made in good faith; that the supporting data are accurate and complete to the best of my knowledge and belief; that the amount requested accurately reflects the contract adjustment for which Lessee believes Government is liable; and that I am duly authorized to certify the claim on behalf of Lessee."

23.4.4 The certification may be executed by any person duly authorized to bind Lessee with respect to the claim.

23.5 For Lessee claims of \$100,000 or less, the Command, must, if requested in writing by Lessee, render a decision within 60 calendar days of the request. For Lessee-certified claims over \$100,000, the Command, must, within 60 calendar days, decide the claim or notify Lessee of the date by which the decision will be made.

23.6 The Command's, decision shall be final unless Lessee appeals or files a suit as provided in the Act.

23.7 At the time a claim by the Lessee is submitted to the Command or a claim by Government is presented to Lessee, the parties, by mutual consent, may agree to use ADR. When using arbitration conducted pursuant to 5 U.S.C. 575-580, or when using any other ADR technique that the agency elects to employ in accordance with the ADRA, any claim, regardless of amount, shall be accompanied by the certification described in Paragraph 23.4.3 of this clause, and executed in accordance with Paragraph 23.4.4 of this clause.

23.8 Government shall pay interest on the amount found due and unpaid by Government from (1) the date the Command receives the claim (properly certified if required), or (2) the date payment otherwise would be due, if that date is later, until the date of payment. With regard to claims having defective certifications, as defined in FAR 33.201, interest shall be paid from the date that the Command initially receives the claim. Simple interest on claims shall be paid at the rate, fixed by the Secretary of the Treasury, as provided in the Act, which is applicable to the period during which the Command receives the claim and then at the rate applicable for each 6-month period as fixed by the Treasury Secretary during the pendency of the claim.

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23.9 Lessee shall proceed diligently with the performance of Lease, pending final resolution of any request for relief, claim, appeal or action arising under Lease, and comply with any decision of the Command.

24. COVENANT AGAINST CONTINGENT FEES:

Lessee warrants that no person or agency has been employed or retained to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide employees or bona fide established commercial agencies maintained by Lessee for the purpose of securing business. For breach or violation of this warranty, Government shall have the right to annul this Lease without liability or in its discretion, to require Lessee to pay the full amount of such commission, percentage, brokerage or contingent fee.

25. OFFICIALS NOT TO BENEFIT:

No member of or delegate to Congress or Resident Commissioner, shall be admitted to any share or part of this Lease or to any benefit to arise therefrom, but this provision shall not be construed to extend to this Lease if made with a corporation for its general benefit.

26. LIENS:

Lessee shall promptly discharge or cause to be discharged any valid lien, right in rem, claim or demand of any kind, except one in favor of Government, which at any time may arise or exist with respect to the Leased Property or materials or equipment furnished therefor, or any part thereof, and if the same shall not be promptly discharged by Lessee, or should Lessee or sublessee be declared bankrupt or make an assignment on behalf of creditors, or should the leasehold estate be taken by execution, Government reserves the right to take immediate possession without any liability to Lessee or any sublessee. Lessee and any sublessee shall be responsible for any costs incurred by Government in securing clear title to its property.

27. TAXES:

Lessee shall pay or cause to be paid to the proper authority, when and as the same become due and payable, all taxes, assessments and similar charges which, at any time during the term of this Lease, may be imposed upon Lessee with respect to its operations of the Leased Premises. Title 10 United States Code, Section 2667(e) contains the consent of Congress to the Taxation of Lessee's interest in Leased Premises, whether or not the Leased Premises are in an area of exclusive federal jurisdiction. Should Congress consent to taxation of Government's interest in the property, this Lease will be renegotiated.

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28. SUBJECT TO EXISTING AND FUTURE EASEMENTS AND RIGHTS-OF-WAY:

This Lease is subject to all outstanding easements and rights-of-way for location of any type of facility over, across, in and upon Leased Premises or any portion thereof and to the right of Government to grant such additional easements and rights-of-way over, across, in and upon Leased Premises as it shall determine to be in the public interest; provided that any such additional easement or right-of-way shall be conditioned on the assumption by the grantee thereof of liability to Lessee for such damages as Lessee shall suffer for property destroyed or property rendered unusable on account of the grantee's exercise of its rights thereunder. There is hereby reserved to the holders of such easements and rights-of-way as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair or replacement of facilities located thereon, and to any Federal, state or local official engaged in the official inspection thereof, such reasonable rights of ingress and egress over Leased Premises as shall be necessary for the performance of their duties with regard to such facilities.

29. INGRESS-EGRESS AND PARKING:

Lessee and any sublessees will be granted reasonable access to Leased Premises under this Lease. Such access will be coordinated with Government. As a condition, Lessee and any sublessees agree to adhere to all base rules and regulations regarding installation security, ingress, egress, safety and sanitation as may be prescribed from time to time by Government. Parking will be coordinated with Government.

30. ADMINISTRATION:

Except as otherwise provided for under this Lease, Government shall, under the direction of the Command, have complete charge of the administration of this Lease, and shall exercise full supervision and general direction thereof insofar as the interests of Government are affected.

31. SURRENDER:

Upon the expiration of this Lease or its earlier termination in accordance with the terms of this Lease, Lessee shall quietly and peacefully remove itself and its property from Leased Premises and surrender the possession thereof to Government. Government may, in its discretion, declare any property which has not been removed from Leased Premises upon expiration or termination provided for above, as abandoned property upon giving to Lessee an additional 30 calendar days notice after the termination date.

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32. INTEREST:

32.1 Notwithstanding any other provision of this Lease, unless paid within thirty (30) calendar days from the due date, all amounts that become payable by Lessee to Government under this Lease (net any applicable tax credit under the Internal Revenue Code) shall bear interest from the date due. The rate of interest will be the Current Value of Funds rate published by the Secretary of Treasury pursuant to 31 U.S.C. 3717 (Debt Collection Act of 1982).

32.1.1 Amounts shall be, subject to applicable cure periods, due upon the earliest of:

32.1.1(a) the date fixed pursuant to this Lease,

32.1.1(b) the date of the first written demand for payment, consistent with this Lease, including demand consequent upon default termination,

32.1.1(c) the date of transmittal by Government to Lessee of a proposed supplemental agreement to confirm completed negotiations fixing the amount,

32.1.1(d) if this Lease provides for revision of prices, the date of written notice to Lessee stating the amount of refund payable in connection with a pricing proposal or in connection with a negotiated pricing agreement not confirmed by Lease supplement.

33. AVAILABILITY OF FUNDS:

33.1 The Government's obligations under this Lease are subject to the availability of funds appropriated for such purposes. Nothing in this Lease shall be interpreted to require obligations or payments by Government which are in violation of the Anti-Deficiency Act (31 USC 1341).

34. SPECIAL PROVISIONS:

34.1 Notwithstanding anything to the contrary contained in this Lease, there shall be no obligation for the payment or expenditure of money by Lessee under this Lease unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the Charter of the City and County of San Francisco, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the Term of this Lease commences, sufficient funds for the payment of any payments required under this Lease are not appropriated for any reason, then either party may terminate this Lease upon thirty (30) calendar days written notice and Lessee shall quietly and peacefully remove itself

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and its property from Leased Premises and surrender possession thereof to the Government. Notwithstanding the foregoing, this section 34.1 shall not in any way limit or otherwise impair Lessee's indemnification obligation arising under Sections 13.12 and 16 of this Lease.

34.2 Article 1.5 of the San Francisco Planning Code ("Code") requires the provision of bicycle storage at all properties leased by the City at no cost to the landlord, here the Government, and only if funds are available. In the event public and/or private donations, grants or other funds become available, at any time during this Lease, Lessee shall have the right to request that the Government amend this Lease to include space sufficient for the installation and operation of bicycle storage facilities. In the event of storage locker installation, the storage lockers shall be considered a trade fixture. Government, at no cost to Government, shall reasonably cooperate with City regarding the implementation of this Code.

34.3 The date on which this Lease shall become effective (the "Effective Date") is the date upon which (i) Lessee's Mayor and Board of Supervisors enact a resolution approving this Lease in accordance with all applicable laws and (ii) this Lease is duly executed by the parties hereto.

35. LIST OF EXHIBITS:

The following exhibits are a part of this Lease:

- Exhibit A - Leased Premises
- Exhibit B - Inventory of Personal Property
- Exhibit C - Joint Inspection Report
- Exhibit D - EBS and FOSL
- Exhibit E - Utility Rates Schedule
- Exhibit F - Safety and Health Hazards to be Corrected
- Exhibit G - Government's Obligations to Abate Asbestos

All correspondence in connection with
this contract should include reference to:

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IN WITNESS WHEREOF, the parties hereto have, on the respective dates set forth
below duly executed this Lease as of the day and year first above written.

WITNESS

THE UNITED STATES OF AMERICA

By: 

Real Estate Contracting Officer

Date: 9/1/98

TREASURE ISLAND DEVELOPMENT
AUTHORITY

By: 

Title: ANNEMARIE CONROY
Executive Director
Treasure Island Development
Authority Project

Date: 9-3-98

APPROVED AS TO FORM

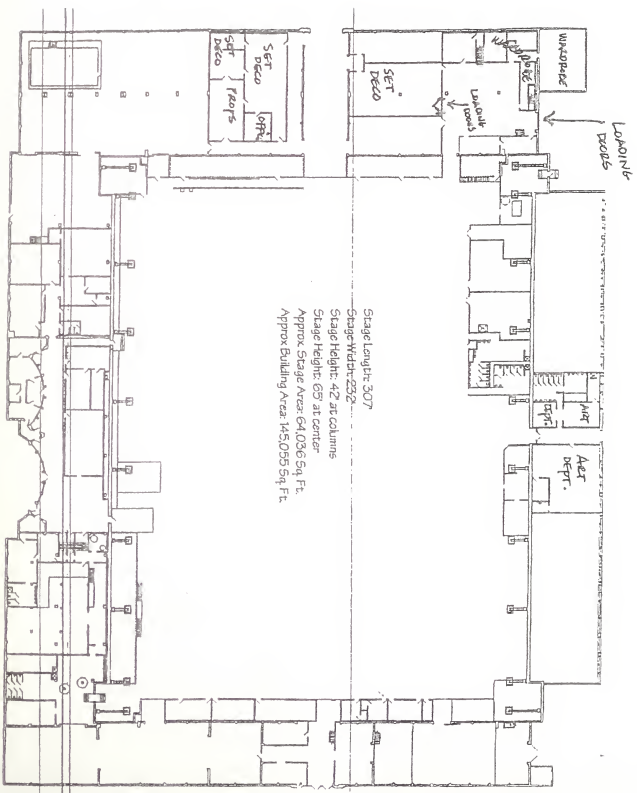
CITY ATTORNEY





EXHIBIT B

DIAGRAM OF THE PREMISES



Stage Length 307
 Stage Width 232
 Stage Height 42 at columns
 Stage Height 65 at center
 Approx Stage Area: 64,036 Sq. Ft.
 Approx Building Area: 145,055 Sq. Ft.

Not to Scale

Treasure Island, San Francisco
 Building 3, Building Plan



EXHIBIT C

COVER PAGE OF THE SEISMIC REPORT



**City and County of San Francisco
San Francisco Redevelopment Agency**

*Treasure Island Study
Seismic Evaluation of Buildings 2 & 3
Volume I
Project Report*

Prepared by

SOH & Associates, Structural Engineers
550 Kearny Street, Suite 200
San Francisco, CA 94108

July 19, 1996

EXHIBIT D

RULES AND REGULATIONS

RULES AND REGULATIONS

1. All rules and regulations set out in the Master Lease and First Amendment shall prevail.
2. No signs, advertisements or notices shall be attached to, or placed on, the exterior or interior of the Building or elsewhere on the Islands, without prior written approval of Sublandlord. Such signs must be removed within 24 hours of vacancy, or the termination of the approved event or activity, or at the request of Sublandlord.
3. Sublandlord shall have the right to prohibit Subtenant's use of the Building name or photo in its advertisement.
4. All persons entering or exiting the Premises, or Building may be required to present the appropriate pass and sign in and out.
5. Temporary notices are not to be taped, thumbtacked, nailed or glued to doors or walls.
6. Subtenant's contractor, while on the Premises or Subtenant's parking area, shall be subject to these Rules and Regulations, and will also be subject to direction from Sublandlord and its agents, but will not be an agent or contractor of the Sublandlord or its agents. Subtenant's contractor shall be licensed by the State, insured and bonded at the amount requested by the Sublandlord.
7. If the demised Premises or any part of the Building becomes infested with pests as a result of the use or neglect on the part of the Subtenant, the Subtenant shall be solely responsible for the immediate extermination costs.
8. If, as a result of any governmental rule or regulation or law, Sublandlord imposes a curtailment of services or a reduction of energy usage, the Subtenant shall comply and shall be liable for any surcharges imposed upon Sublandlord for non-compliance.
9. Subtenant shall install and maintain those in existence at Building turn over, at Subtenant's expense, fire extinguishers, per local governmental regulations or law.
10. Subtenant shall install and maintain at Subtenant's expense, any life safety equipment required by governmental rules, regulations, or laws to be kept on the Premises.
11. Subtenant and Subtenant's agents and employees shall park only in those areas designated by Sublandlord to be within the lines in Exhibit B, Drawing of Premises.
12. Subtenant is subject to fine for each parking violation by Subtenant, Subtenant's employees, agents, invitees, or licensees.
13. Subtenant will provide information about and encourage all employees to maximize usage of transit, carpool, and ferry services available.
14. Subtenant will attempt to schedule deliveries and other major vehicular activities so as to avoid hours of maximum Bay Bridge traffic congestion.
15. Subtenant will consider flexibility in working hours, tele-commuting options and other programs to reduce island and Bay Bridge traffic congestion.
16. Subtenants will provide Sublandlord with a list of vehicular and trip reduction efforts it will undertake, prior to building occupancy.
17. Special Events expected to attract more than 110% the average number of employees, clients, subtenants, contractors, agents, or visitors must be pre-authorized 72 hours in advance by Sublandlord. Additional parking fees, shuttle or ferry service

requirements and other traffic congestion mitigation measures may be imposed in order to address anticipated traffic demands.

18. No canvassing or soliciting shall be allowed on the Premises or in the Building.
19. Subtenant shall not use the Building for lodging, sleeping or conduct any mechanical or manufacturing operations, without prior written approval of Sublandlord.
20. Subtenant shall not conduct, in or about the Building or on the Premises, any auction, public or private sale without the prior written approval of Sublandlord.
21. Subtenant will accept current keys, key cabinet and locks in the Building and shall not have any such keys copied. Subtenant will not install additional locks or change the keying system without prior written approval of Sublandlord. Subtenant, upon termination of the Lease shall deliver to Sublandlord all keys to doors in the Building, specifically labeled with a Master Key listing.
22. Subtenant shall provide adequate security of all Premises and Buildings under this Lease.
23. Subtenant shall report all theft of property or other crime to the Police and Sublandlord. Subtenant shall report all slip and fall accidents or other potential liability claims to Sublandlord.
24. Subtenant shall not make or permit to be made any unseemly or disturbing noises, sounds or vibrations or disturb or interfere with occupants of the neighboring buildings or premises, in any way.
25. Subtenant shall not install any antenna or other device on the roof or exterior of the Building without Sublandlord's prior written approval.
26. No storage of materials of any kind shall be allowed outside the Building.
27. Sublandlord may designate time and manner the Subtenant will move freight, furniture and supplies in and out of Building.
28. Subtenant will not place equipment of unusual size and weight on the Premises.
29. Subtenant will not install window coverings on the interior or exterior of Building without the prior written approval of Sublandlord.
30. Animals will not be kept on the Premises.
31. For any event with over 500 persons, applicant must recycle any newspaper, glass or aluminum items generated. For smaller events, applicants are strongly encouraged to and should make every effort to recycle.
32. The sale and use of mylar balloons on Treasure Island is prohibited. All other balloons are permitted, but must be removed following the event from both the event area and any other area of the island to which they have drifted. The release of balloons is absolutely prohibited.
33. Applicants are advised the City prohibits the use of food packaging items which contain chlorofluorocarbons, such as styrofoam on all premises.
34. All tents should be certified to withstand 70 mph winds and installed according to manufacturers instructions. All tents and heating devices must comply with fire and life safety regulations and be inspected and approved by the San Francisco Fire Department Inspector.

EXHIBIT E

STANDARD UTILITIES AND SERVICES

EXHIBIT F

FORM OF USE PERMIT

Utilities

1) The sub-lessee agrees to allow the utility suppliers reasonable access to the premises for such operation, maintenance, repair and replacement of these utilities systems as may be required. In executing operation, maintenance, repair or replacement of these systems, all reasonable steps will be taken to limit interference with the use of the Premises by the sub-lessee.

2) Terms and conditions will include the following:

a) Sewage discharge by the sub-lessee to the Navy owned sewer system must meet all requirements of any applicable waste water discharge permit or contact issued by or between the sub-landlord and Bay Area Water Quality Management Board for discharge of sewage from the island.

b) Storm water discharged from the Premises must meet the requirements of permits issued to the sub-landlord in accordance with the National Pollution Discharge Elimination System (NPDES) for discharge of storm water from the Station. In addition, the sub-lessee agrees to participate in any storm water quality management program required by applicable local, State, or Federal regulations.

c) The sub-lessee may, with pre-approval by sub-landlord and at its own cost, replace, remove, or relocate utility system on the Premises in order to use the Premises, so long as there is no unreasonable interference with use by the sub-landlord of the utility systems and provided the sub-landlord has approved the replacement, removal or relocation in advance. Approval shall not be unreasonably denied or delayed.

The sub-lessee and the sub-landlord hereby agree to the following with respect to Navy-owned utility systems and to sub-landlord-provided utility services:

General

All utility services delivered at the Premises shall be obtained from the sub-landlord in accordance with provisions of Cooperative Agreement N624749720003. The sub-lessee agrees to conform to conditions of service which may be laid out by sub-landlord in addition to the general requirements below. Service from sub-landlord can be obtained by contacting:

San Francisco Public Utilities Commission
410 Avenue of the Palms, Building 1
Treasure Island
San Francisco, CA 94130

Treasure Island Public Utilities Commission
(415) 274-0333

Metering

Electric, natural gas and water service will be authorized by the sub-landlord only after installation as required by the Public Utilities Commission (PUC) of meters which fully and exclusively measure consumption on the Premises. Prior to commencement of service the sub-lessee will insure that any additional metering which may be required has been installed by the PUC with written sub-landlord authorization. Unless otherwise stipulated by the PUC, the volume of sewer discharge from the Premises will be assumed to equal water consumption as metered by applicable meters.

Commencement of Service

Service will commence after the sub-lessee has established an account with the PUC and has made any advance service deposit which the PUC may require.

Rates

Until further notice by the sub-landlord, the following rates are in effect:

Utility	Unit	Charge Per Unit
Electricity	MWH (million-watt-hour)	\$. TBD
Natural gas	MCF (1000 cubic feet)	\$ TBD
Water	KGAL (thousand gallons)	\$ TBD
Sewer	KGAL	\$ TBD

Billing and Payment

Monthly bills for utilities services will be issued by the PUC to the sub-lessee as agreed upon between the sub-lessee and the PUC. Payment to the PUC is due within 10 working days of receipt of the bill. Payment for utility service must be made directly to the PUC.

Failure by Sub-Lessee to Make Payment

Any sub-lessee obligated to make payment for utility services directly to the PUC will be considered in arrears if payment of any bill is not received within 30 working days of presentation to the sub-lessee by the PUC.

USE PERMIT

This Use Permit (this "Permit") dated for reference only as _____, 200__, is made by and among Voice of Pentecost, Inc. ("Subtenant") and _____ ("Permittee").

RECITALS

WHEREAS, pursuant to that certain Sublease (the "Sublease") by and between the Treasure Island Development Authority ("Sublandlord") and Subtenant, a copy of which is attached hereto as Exhibit A, Subtenant has the right to use that certain property located on Naval Station Treasure Island commonly known as Building 3, and portions of the parking areas adjacent thereto, all as more particularly shown on Exhibit B to the Sublease (the "Sublease Premises"), as a production facility for motion picture, commercial and television filming and related activities, including, without limitation, production offices and sound stage construction, but for no other use (collectively, the "Permitted Uses");

WHEREAS, pursuant to that certain License for Nonfederal Use of Real Property (the "Master License"), by and between Sublandlord and the Department of Navy (the "Navy"), a copy of which is attached as Exhibit A to the Sublease, Sublandlord has the right to use the Sublease Premises and other property that is more particularly described in the Master Lease (collectively, the "Property"); and

WHEREAS, Permittee seeks to use an approximately _____ square foot portion of the Sublease Premises, as more particularly shown on Exhibit B, attached hereto (the "Premises"), for the Permitted Uses, subject to the terms and conditions of this Permit.

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, Subtenant and Permittee agree as follows:

1. **License.** Subject to the receipt of Sublandlord's prior written consent, Subtenant confers to Permittee a revocable, personal, non-exclusive and non-possessory privilege to enter upon and use the Premises for the limited purpose and subject to the terms, conditions and restrictions set forth below. The privilege given to Permittee under this Permit is effective only insofar as the rights of Subtenant in the Premises are concerned, and Permittee shall obtain any further permission necessary because of any other existing rights affecting the Premises, or any portion thereof.
2. **Inspection of Premises.** Permittee represents and warrants that Permittee has conducted a thorough and diligent inspection and investigation, either independently or through its officers, directors, employees, agents, affiliates, subsidiaries, licensees and contractors, and their respective heirs, legal representatives, successors and assigns, and each of them ("Permittee's Agents"), of the Premises and the suitability of the Premises for Permittee's intended use. Permittee is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses.
3. **As Is; Disclaimer of Representations.** Permittee acknowledges and agrees that the Premises are being permitted and accepted in their "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, and subject to all applicable laws, statutes, ordinances, resolutions, regulations, proclamations, orders or decrees of any municipal, county, state or federal government or other governmental or regulatory authority with jurisdiction over the Premises, or any portion thereof, whether currently in effect or adopted in the future and

whether or not in the contemplation of the Parties ("Laws") governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Permit is made subject to any and all covenants, conditions, restrictions, easements and other title matters affecting the Premises, or any portion thereof, whether or not of record. Permittee acknowledges and agrees that neither Subtenant nor any of its officers, directors, employees, agents, affiliates, subsidiaries, licensees and contractors, and their respective heirs, legal representatives, successors and assigns ("Subtenant's Agents") have made, and Subtenant hereby disclaims, any representations or warranties, express or implied, concerning (i) title or survey matters affecting the Premises, (ii) the physical, geological, seismological or environmental condition of the Premises, (iii) the quality, nature or adequacy of any utilities serving the Premises, (iv) the feasibility, cost or legality of constructing any Alterations on the Premises if required for Permittee's use and permitted under this Permit, (v) the safety of the Premises, whether for the use of Permittee or any other person, including Permittee's Agents or Permittee's clients, customers, vendors, invitees, guests, members, licensees, assignees or permittees ("Permittee's Invitees"), or (vi) any other matter whatsoever relating to the Premises or their use, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

4. Seismic Report and Structural Report. Without limiting Section 3 above, Permittee expressly acknowledges for itself and Permittee's Agents that it received and read that certain report dated August 1995, entitled "*Treasure Island Reuse Plan: Physical Characteristics, Building and Infrastructure Conditions*," prepared for the Office of Military Base Conversion, Department of City Planning, and the Redevelopment Agency of the City and County of San Francisco (the "Seismic Report"), a copy of the cover page of which is attached hereto as Exhibit C. Permittee has had an adequate opportunity to review the Seismic Report with expert consultants of its own choosing. The Seismic Report, among other matters, describes the conditions of the soils on Treasure Island and points out that in the area of the Property where the Premises are located, an earthquake of magnitude 7 or greater is likely to cause the ground under and around the Premises to spread laterally to a distance of ten (10) or more feet and/or result in other risks. In that event, there is a significant risk that buildings and any other structures or improvements located on or about the Premises may fail structurally and collapse. Permittee further expressly acknowledges for itself and Permittee's Agents that it received and read that certain *Joint Inspection Report* referenced in Section 6 of the Master Lease (the "Structural Report"). The Structural Report, among other matters, notes that during an earthquake of magnitude 7 or greater, the buildings and any other structures or improvements located on or about the Premises may not provide life-safety for occupants in the event of an earthquake.

5. Use of Premises. Permittee may enter and use the Premises for the sole purpose of

6. Restrictions on Use. Permittee agrees that, by way of example only and without limitation, the following uses of the Premises by Permittee, or any other person claiming by or through Permittee, are inconsistent with the limited purpose of this Permit and are strictly prohibited as provided below:

(a) **Hazardous Material.** Permittee shall not cause, nor shall Permittee allow any of its Agents or Invitees (as such terms are defined below) to cause, any Hazardous Material (as defined below) to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises, or transported to or from the Premises without the prior written consent of Sublandlord. Permittee shall immediately notify Sublandlord when Permittee learns of, or has reason to believe that, a release of Hazardous Material has occurred in, on or about the Premises. Permittee shall further comply with all laws requiring notice of such releases or

threatened releases to governmental agencies, and shall take all action necessary to mitigate the release or minimize the spread of contamination. In the event that Permittee or Permittee's Agents or Invitees cause a release of Hazardous Material, Permittee shall, without cost to Sublandlord or Subtenant and in accordance with all laws and regulations, return the Premises to the condition immediately prior to the release. In connection therewith, Permittee shall afford Sublandlord and Subtenant a full opportunity to participate in any discussion with governmental agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree or other compromise proceeding involving Hazardous Material. For purposes hereof, "**Hazardous Material**" means material that, because of its quantity, concentration or physical or chemical characteristics, is at any time now or hereafter deemed by any federal, state or local governmental authority to pose a present or potential hazard to public health, welfare or the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance, pollutant or contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601 *et seq.*, or pursuant to Section 25316 of the California Health & Safety Code; a "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the Premises or are naturally occurring substances in the Premises, and any petroleum, including, without limitation, crude oil or any fraction thereof, natural gas or natural gas liquids. The term "**release**" or "**threatened release**" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing in, on, under or about the Premises.

(b) **Nuisances.** Permittee shall not conduct any activities on or about the Premises that constitute waste, nuisance or unreasonable annoyance (including, without limitation, emission of objectionable odors, noises or lights) to Subtenant, to the owners or occupants of neighboring property or to the public.

(c) **Damage.** Permittee shall not do anything about the Premises that could cause damage to the Premises or any Sublandlord property or Subtenant property.

(d) **Parking.** Permittee shall be allowed to park up to _____ () vehicles in the area designated for parking on Exhibit B attached hereto. To the extent practicable, Permittee shall use its best efforts to encourage ride-sharing, the use of shuttle busses or other pooled-means of transportation to and from the Premises.

7. **Alterations.** Except as otherwise expressly provided herein, Permittee shall not construct or place any temporary or permanent structures or improvements in, on, under or about the Premises, nor shall Permittee make any alterations or additions to any of existing structures or improvements on the Premises (collectively, "Alterations"), unless Permittee first obtains Sublandlord's and Subtenant's prior written consent, which Sublandlord and Subtenant may give or withhold in their sole and absolute discretion.

8. **Permit Fees.** Permittee shall pay to Subtenant a non-refundable permit fee in the amount of _____ Dollars (\$_____) per month (the "Permit Fee") for its use of the Premises as provided hereunder. The first installment of the Permit Fee is payable at such time as Permittee signs and delivers this Permit to Subtenant. The remaining installments of the Permit Fee shall be due and payable on the first day of each month during the Term of this Permit.

9. **Term of Permit.** The privilege conferred to Permittee pursuant to this Permit shall commence on _____, 200__ and shall automatically expire on _____, 200__.

Moreover, if either the Master License or the Sublease terminates for any reason whatsoever, this Permit shall automatically terminate.

10. Compliance with Laws. Permittee shall, at its expense, conduct and cause to be conducted all activities on the Premises allowed hereunder in a safe and reasonable manner and in compliance with all laws, regulations, ordinances and orders of any governmental or other regulatory entity (including, without limitation, the Americans with Disabilities Act) whether presently in effect or subsequently adopted and whether or not in the contemplation of the parties. Permittee shall, at its sole expense, procure and maintain in force at all times during its use of the Premises any and all business and other licenses or approvals necessary to conduct the activities allowed hereunder. Without limiting the foregoing, before beginning any work in the Premises, Permittee shall obtain any and all permits, licenses and approvals (collectively, "approvals") of all regulatory agencies and other third parties that are required to commence and complete the permitted work.

11. Security. In addition to the Permit Fee described in Section 8 above, Permittee shall pay Subtenant for the reasonable costs of incurred by Subtenant for providing security for the activities provided hereunder or Permittee shall provide such security itself, at Permittee's sole expense and cost.

12. Surrender. Upon the expiration of this Permit, Permittee shall surrender the Premises in the same condition as received, free from hazards and clear of all debris. At such time, Permittee shall remove all of its property from the Premises permitted hereunder, and shall repair, at its cost, any damage to the Premises caused by such removal. Permittee's obligations under this Section shall survive any termination of this Permit.

13. RELEASE AND WAIVER OF CLAIMS; INDEMNIFICATION

13.1. Release and Waiver of Claims. Permittee, on behalf of itself and Permittee's Agents and Invitees, covenants and agrees that Sublandlord and Subtenant shall not be responsible for or liable to Permittee for, and, to the fullest extent allowed by any Laws, Permittee hereby waives all rights against Sublandlord and Subtenant and releases them from, any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, including, without limitation, reasonable attorneys' and consultants' fees and costs ("Losses"), including, but not limited to, incidental and consequential damages, relating to any injury, accident or death of any person or loss or damage to any property, in or about the Premises, from any cause whatsoever, including without limitation, partial or complete collapse of the buildings thereon due to an earthquake or subsidence, except only to the extent such Losses are caused exclusively by the gross negligence or willful misconduct of Sublandlord or Subtenant, as applicable (except as provided in Section 13.1(a) below). Without limiting the generality of the foregoing:

(a) Without limiting any other waiver contained herein, Permittee on behalf of itself and its successors and assigns, hereby waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, Sublandlord and Subtenant from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with Sublandlord's and Subtenant's decision to allow Permittee to use the Premises, regardless of whether or not such decision is or may be determined to be an act of gross negligence or willful misconduct of Sublandlord or Subtenant, as applicable.

(b) Permittee covenants and agrees never to file, commence, prosecute or cause to be filed, commenced or prosecuted against Sublandlord or Subtenant any claim, action

or proceeding based upon any claims, demands, causes of action, obligations, damages, losses, costs, expenses or liabilities of any nature whatsoever encompassed by the waivers and releases set forth in this Section 13.1.

(c) In executing these waivers and releases, Permittee has not relied upon any representation or statement other than as expressly set forth herein.

(d) Permittee had made such investigation of the facts pertaining to these waivers and releases it deems necessary and assumes the risk of mistake with respect to such facts. These waivers and releases are intended to be final and binding on Permittee regardless of any claims of mistake.

(e) In connection with the foregoing releases, Permittee acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

13.2. Acknowledgment. Permittee acknowledges that the releases contained herein include all known and unknown, disclosed and undisclosed, and anticipated and unanticipated claims. Permittee realizes and acknowledges that it has agreed upon this Permit in light of this realization and, being fully aware of this situation, it nevertheless intends to waive the benefit of Civil Code Section 1542, or any statute or other similar law now or later in effect. The waivers and releases contained herein shall survive any termination of this Permit.

13.3. Permittee's Indemnity. Permittee, on behalf of itself and Permittee's Agents and Invitees, shall indemnify, protect, defend and hold harmless forever ("Indemnify") Sublandlord and Subtenant from and against any and all Losses, expressly including but not limited to, any Losses arising out of a partial or complete collapse of any building located on the Premises due to an earthquake or subsidence, incurred in connection with or arising directly or indirectly, in whole or in part, out of: (a) any damage to or destruction of any property owned by or in the custody of Permittee or Permittee's Agents or Permittee's Invitees; (b) any accident, injury to or death of a person, including, without limitation, Permittee's Agents and Permittee's Invitees, howsoever or by whomsoever caused, occurring in, on or about the Premises; (c) any default by Permittee in the observation or performance of any of the terms, covenants or conditions of this Permit to be observed or performed on Permittee's part; (d) the use, occupancy, conduct or management, or manner of use, occupancy, conduct or management by Permittee, Permittee's Agents or Permittee's Invitees or any person or entity claiming through or under any of them, of the Premises or any Alterations; (e) the condition of the Premises; (f) any construction or other work undertaken by Permittee on or about the Premises whether before or during the Term of this Permit; or (g) any acts, omissions or negligence of Permittee, Permittee's Agents or Permittee's Invitees, or of any trespassers, in, on or about the Premises or any alterations; except to the extent that such Indemnity is void or otherwise unenforceable under any applicable Laws in effect on or validly retroactive to the date of this Permit and further except only to the extent such Losses are caused by the gross negligence and intentional wrongful acts and omissions of Sublandlord or Subtenant, as applicable. Notwithstanding the foregoing, Permittee's obligations to indemnify Sublandlord and Subtenant under this Section 13.3 shall remain in full force and effect regardless of whether or not Sublandlord's and Subtenant's decision to permit the Premises to the Permittee, given the seismic condition of the Property, is or may be determined to be an act of gross negligence or willful misconduct of

Sublandlord or Subtenant. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and Sublandlord's and Subtenant's costs of investigating any Loss. Permittee specifically acknowledges and agrees that it has an immediate and independent obligation to defend Sublandlord and Subtenant from any claim which actually or potentially falls within this indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Permittee by Sublandlord or Subtenant, as applicable, and continues at all times thereafter. Permittee's obligations under this Section shall survive the expiration or sooner termination of this Permit. Notwithstanding anything contained herein, to the extent such Losses are not covered by insurance required herein and subject to this Section 13.3, Permittee shall have no obligation to repair, restore or reconstruct the Premises (or to pay for the same) in the event the Premises are damaged or destroyed by an earthquake or subsidence or by any other uninsured casualty.

14. INSURANCE

14.1. Permittee's Insurance. Permittee shall procure and maintain throughout the Term of this Permit and pay the cost thereof the following insurance:

(a) Worker's Compensation, with Employers' Liability Limits not less than \$1,000,000 each accident; and

(b) Commercial General Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Host Liquor Liability, Personal Injury, Broad Form Property Damage, Products and Completed Operations; and

(c) Automobile liability insurance with limits not less than \$1,000,000 each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, if Permittee uses, or causes to be used, any automobiles in connection with its use of the Premises.

14.2. General Requirements. All insurance provided for under this Permit shall be effected under valid enforceable policies issued by insurers of recognized responsibility and reasonably approved by Subtenant and Sublandlord.

(a) Should any of the required insurance be provided under a claims-made form, Permittee shall maintain such coverage continuously throughout the Term hereof and, without lapse, for a period of one (1) year beyond the expiration or termination of this Permit, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Permit, such claims shall be covered by such claims-made policies.

(b) Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general aggregate limit shall double the occurrence or claims limits specified above.

(c) All liability insurance policies shall be endorsed to provide the following:

(i) Cover Permittee as the insured and Sublandlord and Subtenant as additional insureds.

(ii) That such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Permit, and that insurance applies separately to each insured against whom claim is made or suit is brought. Such policies shall also provide for severability of interests and that an act or omission of one of the named insureds which would void or otherwise reduce coverage shall not reduce or void the coverage as to any insured, and shall afford coverage for all claims based on acts, omissions, injury or damage which occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period.

14.3. Proof of Insurance. Permittee shall deliver to Sublandlord and Subtenant certificates of insurance in form and with insurers satisfactory to Sublandlord and Subtenant, evidencing the coverages required hereunder, on or before the commencement date of this Permit, together with complete copies of the policies promptly upon Sublandlord's or Subtenant's request. In the event Permittee shall fail to procure such insurance, or to deliver such policies or certificates, Sublandlord or Subtenant may, at its option, procure the same for the account of Permittee, and the cost thereof shall be paid to Sublandlord or Subtenant, as applicable, within five (5) days after delivery to Permittee of bills therefor.

14.4. No Limitation on Indemnities. Permittee's compliance with the provisions of this Section shall in no way relieve or decrease Permittee's indemnification obligations herein or any of Permittee's other obligations or liabilities under this Permit.

14.5. Lapse of Insurance. Notwithstanding anything to the contrary in this Permit, Subtenant may elect in Subtenant's sole and absolute discretion to terminate this Permit upon the lapse of any required insurance coverage by written notice to Permittee.

14.6. Permittee's Personal Property. Permittee shall be responsible, at its expense, for separately insuring Permittee's Personal Property.

14.7. Waiver of Subrogation. Notwithstanding anything to the contrary contained herein, to the extent permitted by their respective policies of insurance, Subtenant and Permittee each hereby waive any right of recovery against the other party and against any other party maintaining a policy of insurance covering the Premises and their contents, or any portion thereof, for any loss or damage maintained by such other party with respect to the Premises, or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of such other party. If any policy of insurance relating to the Premises carried by Permittee does not permit the foregoing waiver or if the coverage under any such policy would be invalidated due to such waiver, Permittee shall obtain, if possible, from the insurer under such policy a waiver of all rights of subrogation the insurer might have against Subtenant or any other party maintaining a policy of insurance covering the same loss, in connection with any claim, loss or damage covered by such policy.

15. No Assignment. This Permit is personal to Permittee and shall not be assigned, conveyed or otherwise transferred by Permittee under any circumstances.

16. MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Permittee acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

17. **Non-Discrimination.** Permittee shall not, in the operation and use of the Premises, discriminate against any person or group of persons solely because of race, color, creed, national origin, ancestry, age, sex, sexual orientation, gender identity, disability or acquired immune deficiency syndrome (AIDS) or AIDS related condition (ARC). The provisions of Chapters 12B and 12C of the San Francisco Administrative Code, relating to nondiscrimination by parties contracting with the City and County of San Francisco, are incorporated herein by reference and made a part hereof as though fully set forth herein. Permittee agrees to comply with all of the provisions of such Chapters 12B and 12C that apply to parties contracting with the City and County of San Francisco.

18. **Tropical Hardwoods and Virgin Redwood.** The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood, or virgin redwood product.

19. **No Tobacco Advertising.** Permittee acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of Sublandlord, including the property which is the subject of this Permit. This prohibition includes the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

20. **Security Deposit.** Permittee shall pay to Subtenant upon execution of this Permit a security deposit in the amount of _____ Dollars (\$_____) as security for the faithful performance of all terms, covenants and conditions of this Permit. Permittee agrees that Subtenant may (but shall not be required to) apply the security deposit in whole or in part to remedy any damage to the Premises caused by Permittee, its Agents or Invitees, or any failure of Permittee to perform any other terms, covenants or conditions contained in this Permit, without waiving any of Subtenant's other rights and remedies hereunder or at Law or in equity. Subtenant's obligations with respect to the security deposit are solely that of debtor and not trustee. Subtenant shall not be required to keep the security deposit separate from its general funds, and Permittee shall not be entitled to any interest on such deposit. The amount of the security deposit shall not be deemed to limit Permittee's liability for the performance of any of its obligations under this Permit. To the extent it is not used by Subtenant as provided herein, the Security Deposit shall be returned to Permittee within thirty (30) business days of the termination of this Permit.

21. **Rules and Regulations.** In connection with the Permittee's use hereunder, Permittee shall comply with the Rules and Regulations attached hereto as Exhibit D

22. **General Provisions.** (a) This Permit may be amended or modified only by a writing signed by Subtenant and Permittee and consented to by Sublandlord, (b) No waiver by any party of any of the provisions of this Permit shall be effective unless in writing and signed by an officer or other authorized representative, and only to the extent expressly provided in such written waiver. (c) This instrument (including the exhibit(s) hereto) contains the entire agreement between the parties and all prior written or oral negotiations, discussions, understandings and agreements are merged herein. (d) The section and other headings of this Permit are for convenience of reference only and shall be disregarded in the interpretation of this Permit. (e) Time is of the essence. (f) This Permit shall be governed by California law and Sublandlord's Charter. (g) If either party commences an action against the other or a dispute arises under this Permit, the prevailing party shall be entitled to recover from the other reasonable attorneys' fees and costs. For purposes hereof, reasonable attorneys' fees of

Subtenant shall be based on the fees regularly charged by private attorneys in San Francisco with comparable experience. **(h)** If Permittee consists of more than one person then the obligations of each person shall be joint and several. **(i)** Permittee may not record this Permit or any memorandum hereof. **(j)** Subject to the prohibition against assignments or other transfers by Permittee hereunder, this Permit shall be binding upon and inure to the benefit of the parties and their respective heirs, representatives, successors and assigns. **(k)** Any sale or conveyance of the property burdened by this Permit by Sublandlord shall automatically revoke this Permit. **(l)** This Permit may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

PERMITTEE:

_____,
a _____

By: _____

Name: _____

Title: _____

SUBTENANT:

VOICE OF PENTECOST, INC.

By: _____

Name: _____

Title: _____

CONSENT OF SUBLANDLORD

The Treasure Island Development Authority ("Sublandlord") hereby consents to the Use Permit to which this Consent of Sublandlord ("Consent") is attached, on the following terms and conditions:

1. The Consent set forth herein shall be applicable only to the Use Permit and no further subletting, assignment, or usage shall be permitted without Sublandlord's prior written consent, which consent may be granted or denied in Sublandlord's sole discretion. Capitalized terms that are not defined in this Consent shall have the meanings set forth in the Use Permit.
2. Subtenant shall remain primarily liable for the payment of all rental and other sums payable pursuant to the Sublease, and all other obligations required of the Subtenant pursuant to the Sublease.
3. Sublandlord shall be a third-party beneficiary of the Use Permit. Sublandlord shall have no obligation to seek Permittee's consent to any amendments or modifications to the Sublease.
4. Subtenant has represented to Sublandlord that the Sublease constitutes the entire agreement between Subtenant and Permittee related to such usage, and there are no other oral or written agreements relating to such usage. No modification or amendment of the Use Permit will be made without the prior written consent of Sublandlord.
5. Neither this Consent nor the Use Permit will give Permittee any rights under the terms of the Sublease except those expressly granted by the Use Permit.
6. If there is any conflict between any terms of the Sublease and the terms of the Use Permit, the terms of the Sublease shall control.
7. In relying on this Consent, Subtenant and Permittee are agreeing to the terms and conditions set forth above. A default hereunder shall be deemed a default under the Sublease and the Permit.

This Consent is dated as of _____.

TREASURE ISLAND DEVELOPMENT AUTHORITY

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By _____
Deputy City Attorney

EXHIBIT G

TIHDI WORK FORCE HIRING PLAN

TREASURE ISLAND HOMELESS DEVELOPMENT INITIATIVE'S
HOMELESS/ECONOMICALLY DISADVANTAGED WORKFORCE HIRING Plan
with
(TI Employer)

Preface

In November, 1996, the U.S. Department of Housing and Urban Development (HUD) approved the Draft Reuse Plan for Treasure Island. An integral part of this plan is the Legally Binding Agreement (LBA) between the Treasure Island Homeless Development Initiative (TIHDI) and the Local Reuse Authority (LRA) which in San Francisco, is the Treasure Island Development Authority (TIDA). The LBA has specific employment goals and objectives for developers and tenants on Treasure Island. These are:

(1) The objectives of the LRA and TIHDI under the provisions of this Article are to attempt to assure that: (i) in the aggregate, twenty-five percent (25%) of jobs being filled on the Base go to persons who are, at the time of their hiring, Homeless³ or Economically Disadvantaged¹; (ii) San Francisco Residents² obtain no fewer than fifty percent (50%*) of the jobs being filled in the work forces of Developers and Tenants on the Base; and (iii) TIHDI operates a Job Broker system which facilitates the hiring of Homeless and Economically Disadvantaged Persons for jobs on the Base

Purpose

The TIHDI Job Broker System will be the official conduit for meeting hiring demands for qualified job ready individuals who have the desire and determination to work and the (TI Employer) who is motivated to hire these same persons. This proposal will provide a "seamless" structure that is both client effective and business friendly.

Types of Work Targeted

The types of work that we have specified as appropriate for our labor resource pool are as follows:

Ex. Painter		
-------------	--	--

1. "Economically disadvantaged" means persons who reside in SF and whose annual income is no greater than 25% of the CCSF median income as determined by HUD

2. "San Francisco Resident" means a person who establishes that s/he lives in San Francisco at the time of submitting her/his initial application for employment or housing on the base

3. "Homeless" or "Homeless Person" is an individual who lacks a fixed, regular and adequate nighttime residence; or (ii) has a primary residence that is (A) supervised publicly or privately operated shelter designed to provide temporary living accommodations... (B) an institution that provides a temporary residence for individuals intended to be institutionalized ... (C) a public space not designed for, or ordinarily used as, regular sleeping accommodation for human beings; or such other definition as may be adopted or approved by HUD.

Ex. Administrative assistant		

Hiring Projections

Work Type	Job Description	Estimated Total Labor Force	Homeless/Economically Disadvantaged Labor Force				Remarks
			Target Labor Force Hiring		Minimum labor Force Goal		
			No.	% of total	No.	% of total	
TOTAL							

The LBA specifically states, "Except where otherwise required by union agreements, First Consideration for hiring on all construction projects on the Base should go to qualified Homeless or Economically Disadvantaged Person, and Second Consideration to qualified Residents whose annual income, at the time of hire, is at or below fifty percent (50%) of median for the City and County of San Francisco as determined by HUD

*Subcontractor Bidding Procedures (construction related employment)**

To effectively implement the Good Faith provisions of the LBA, it is crucial to have the TIHDI involved as soon as possible. Treasure Island's Job Broker System, in collaboration with (TI Employer), will exemplify and showcase the best in private-for-profit and private non-profit

employment agreements. The earliest introduction the subcontractor has with the TIHDI Job Broker System, the more effective the communication will be (the earlier the better).

All prospective bidders will be required to have officially contacted the TIHDI Job Broker and this contact must be confirmed in writing by the TIHDI. Accepted bids must be consistent with the terms and conditions of (TI Employer's) workforce hiring plans.

The GC must insist and require the subcontractors' cooperation with this program from the beginning to the end (bid language development, pre-bid conference, bidder selection, hiring goals, monitoring compliance, and corrective action steps).

*Non construction related sub contractor work hours will be used to determine total number of work hours. When appropriate, these should also include hires.

Compliance, Monitoring, and Corrective Action

For purposes of operating and maintaining a comprehensive hiring program for the (TI Employer), these items should be negotiated, agreed upon and stipulated:

Refurbishment Work Schedule: The (TI Employer) will provide the TIHDI Job Broker with the projected work schedule for each job action planned.

Job Notification: The Contractor and subcontractors agree to post all job announcements with the TIHDI Job Broker's Office 72 (business day) hours prior to general dissemination.

Turnaround Time: Upon (TI Employer's) request interviewees, the TIHDI Job Broker has 72 (business day) hours to make a job ready referral to the designated contractor/subcontractor-hiring representative. In emergency cases and when a job is needed but was undetermined by the work schedule, the TIHDI Job Broker will have 24 (business day) hours to respond.

Interview Days: The designated contractor/subcontractor, upon announcement of the job opening, shall make available set interview days and time slots for TIHDI referrals to be interviewed.

Hiring Selection Ratio: The TIHDI Job Broker will present to the Contractor and its subcontractor at least 3 applicants for each interview slot. The Contractor/subcontractor can select any 1 of the 3 for the job. In emergency cases, the TIHDI Job Broker will advance 1 preferred candidate for the slot.

Hiring Interview Roster: The Contractor/subcontractor shall complete a "user friendly" interview roster confirming date and time of interview and if the applicant was hired and a brief explanation as to why the applicant was not hired. This is all done on a check-off form provided by the TIHDI Job Broker.

Payroll register: The Contractor/subcontractor will submit official, bi-weekly payroll registers to the TIHDI Job Broker to provide for the monitoring of who was actually hired, the pay rate and etc.

Pre-bid Contact: Each prospective bidder must have officially confirmed (in writing) contact with the TIHDI Job Broker prior to the submission of their bid.

Subcontractor Bid Selection: Bid selection should not be determined final unless there is a satisfactory, TIHDI Job Broker approved workforce-hiring plan.

Weekly worksite staff meetings: The TIHDI Job Broker will be invited to attend FL/TP's project staff meetings. At these weekly meetings we will expect to review the job schedule, hiring lists and to discuss any other hiring related concerns.

Problem Remediation: (A) All efforts will be made to resolve worksite related problems. (B) The TIHDI Job Broker will be notified and a consultation scheduled prior to the termination of any TIHDI referral. (C) Consultations will covers problems arising from tardiness and attitude on the job. (D) Matters that are cause for immediate dismissal such as violence, destruction of property, theft and on the job intoxication (of alcohol or controlled substances) are not remedied through consultation.

Monitoring Workforce Hiring: (A) (TI Employer) project manager and the TIHDI Job Broker will collaborate to monitor subcontractor compliance to the TI project's hiring goals. (B) The (TI Employer) and the TIHDI will negotiate to jointly support a job coach/mentor position to assist in workforce stablization.

Corrective Action: (A) If a subcontractor failed to comply with the goals and objectives of the Job Broker system it will be expected that the Contractor, would exercise its agreed upon obligation to not invite said subcontractor for further work on the project. (B) The TIHDI Job Broker will develop, in discussion with the (TI Employer), a waiver type mechanism in the event the TIHDI Job Broker is not able to meet a particular hiring request.

Legally Binding Agreement: The (TI Employer) & TIHDI agree that the terms and conditions of all employment contracts related to this project will be consistent with the LBA.

Potential Labor Pool, Applicant Referral and Applicant Support

The TIHDI Job Broker System will engage the service and expertise of its member agencies. The TIHDI system will be able to produce job ready applicants.

The Work Readiness Standards ascribed to this field of work are:

♦	♦	♦
♦	♦	♦
♦	♦	♦

The TIHDI Job Broker will dispatch all the TIHDI referrals to the worksite. The TIHDI agencies will be responsible for supportive services that will include:

- ✓ Check Point Monitoring
- ✓ Job Coaching
- ✓ Mentorship
- ✓ Follow-up
- ✓ Supportive Employment

The Job Broker System

TIHDI Job Broker will outreach, pre-screen and maintain its labor resource pool in accordance with both the requirements of the LBA, and other applicable first source hiring requirements.

The TIHDI Job Broker will provide a snapshot of the TIHDI Job Broker referral process at the request of (TI Employer).

Workforce Hiring Goals

In performing its rights and responsibilities under this Agreement, Contractor shall comply with the following workforce hiring goals for qualified homeless or otherwise economically disadvantaged persons and San Francisco residents.

a. Contractor's Workforce Hiring Goals. Contractor shall use good faith efforts to meet the work force hiring goals described herein (the "Workforce Goals"). For purposes of this Section "45.a.", Contractor's Good Faith Efforts shall include, but not be limited to, the following:

1. Submitting detailed written plans describing how Contractor intends to meet the Workforce Goals (a "Hiring Plan");
2. Listing jobs available on the Premises with the Treasure Island Homeless Development Initiative's Job Broker ("TIHDI Job Broker") at least two weeks prior to advertising for applicants elsewhere;
3. Considering for appropriate job openings all candidates who are qualified, screened and referred to it by the TIHDI Job Broker;
4. Establishing with TIHDI mutually acceptable means of communicating about job openings and provide information about jobs and about outcomes of referrals within a reasonable time upon request by the TIHDI Job Broker;
5. Consulting with the TIHDI Job Broker on an ongoing basis about how to meet Contractor's Workforce Goals; and;
6. Meeting and conferring with the TIHDI Job Broker to discuss and attempt to resolve any problems with Contractor meeting its Workforce Goals.

b. Burden of Proof. If the Workforce Goals are not met, Contractor shall have the burden of establishing in any Enforcement Procedure described in Section h. below that it made Good Faith Efforts and that the candidates who were selected were better qualified for work than the homeless or economically disadvantaged persons who applied or were referred by the TIHDI Job Broker.

c. Construction Workforce. Without obligation (other than as expressly set forth herein), Contractor shall also be required to give consideration for hiring on all construction projects on the Premises to qualified homeless or otherwise economically disadvantaged persons, and to qualified residents of San Francisco whose annual income, at the time of hire, is at or below fifty percent (50%) of median income for the City as determined by HUD.

d. Subcontracting. Contractor will consider subcontracting certain tasks to be performed by Contractor under this Agreement to TIHDI member organizations, particularly for grounds keeping, janitorial, recycling and deconstruction activities. Subcontracts with TIHDI organizations will be included for purposes of determining Contractor's Good Faith Efforts to meet the Work Force Goals.

e. Hiring Plan.

1. Contractor shall submit its Hiring Plan to the Authority within sixty (60) days of the Commencement Date. Contractor's Hiring Plan shall include a detailed description of how Contractor intends to meet its Workforce Goals, which description should include community outreach and recruiting efforts, hiring procedures (e.g., phased hiring), a projected schedule for meeting the Workforce Goals, and alternative courses of action if it appears that the Workforce Goals will not be met.

2. During the first 30 days after the Hiring Plan is submitted, the Authority and Contractor shall negotiate in good faith solutions to any deficiencies in the Hiring Plan as reasonably determined by the Authority. At the expiration of such 30-day period, the Authority shall advise Contractor, through a written "Notice of Noncompliance," of any alleged deficiency in the Hiring Plan remaining at the close of such negotiations. The Notice of Noncompliance shall state the specific basis for the alleged deficiency(ies) and the Authority's suggested cure. Contractor shall advise the Authority within 10 days of its receipt of the Notice of Noncompliance whether Contractor accepts the suggested cure. If the Contractor rejects the suggested cure, either party may proceed immediately to the Enforcement Procedure pursuant to Section "h", below by filing a Request for Enforcement ("Request") on the Hiring Plan. The Request shall specify the issues presented and the relief requested.

f. Reports. Contractor shall prepare reports regarding the composition of Contractor's work force reasonably satisfactory to the Authority.

g. Matters Subject to Enforcement Procedure. In addition to the initial preparation of the Hiring Plan, all matters related to implementing the Hiring Plan and the Workforce Goals are subject to the Enforcement Procedure described in Section "i", below.

h. Implementation of Enforcement Procedure. The Enforcement Procedure, as provided for in Section 45.i. below, shall be the exclusive procedure for resolving any dispute concerning the interpretation or implementation of the Hiring Plan or any alleged deficiency in Contractor's Good Faith Efforts to achieve the Workforce Goals. The Enforcement Procedure shall be implemented by the Human Rights Commission of the City of County of San Francisco (the "Commission"), which shall have the powers described below unless otherwise provided by law.

1. All subcontracts related to the Agreement ("Subcontracts") shall incorporate the provisions of this Section 45 and the Authority shall have the right to enforce said obligations, requirements and agreements against the Contractor or its subcontractors. Contractor shall require, by contract, that each subcontractor participates in Enforcement Procedure proceedings in which it may be identified in a Request, and that each subcontractor shall be bound by the outcome of such Enforcement Procedure according to the decision of the Commission.

i. Enforcement Procedure.

1. If the Authority reasonably determines that Contractor has failed to use Good Faith Efforts to meet the Workforce Goals, or for any other matter subject to this Enforcement Procedure the Authority shall send a written Notice of Noncompliance to Contractor describing the basis for its determination and suggesting a means to cure any deficiencies. If Contractor does not, in the reasonable discretion of the Authority, cure the deficiency within ten (10) days, the matter shall be submitted to the following Enforcement Procedure.

(a) Prior to the filing and service of a Request, the parties to any dispute shall meet and confer in an attempt to resolve the dispute.

(b) The Authority, Contractor or any subcontractor may commence resolution of any dispute covered by the Enforcement Procedure by filing a Request with the Commission. Where the Authority is not the complaining party, the Request shall be served on the Authority. Where the Authority is the complaining party, the Request shall be served on the Contractor at the Notice Address listed in the Agreement, and the non-compliant subcontractor, if any, if such service can be achieved with reasonable effort. The Request shall be filed and served either by hand delivery or by registered or certified mail. The Request shall identify the entities involved in the dispute and state the exact nature of the dispute and the relief sought. If the complaining party seeks a temporary restraining order and/or a preliminary injunction, the Request shall so state in the caption of the Request.

(c) Service on the Contractor of the Request or any notice provided for by this Section 1 shall constitute service of the Request or notice on all subcontractors who are identified as being in alleged noncompliance in the Request. The Contractor shall promptly serve the Request or notice, by hand delivery or registered or certified mail, on all such subcontractors.

(d) The TIHDI Job Broker shall have the right to present testimony or documentary evidence at Enforcement Procedure proceedings.

(e) After the filing and the service of a Request, the parties shall negotiate in good faith for a period of 10 business days in an attempt to resolve the dispute; provided that the complaining party may proceed immediately to the Enforcement Procedure, without engaging in such a conference or negotiations, if the facts could reasonably be construed to support the issuance of a temporary restraining order or a preliminary injunction ("Temporary Relief"). The Commission shall determine whether the facts reasonably supported the issuance of Temporary Relief.

(f) If the dispute is not settled within 10 business days, a hearing shall be held within 90 days of the date of the filing of the Request, unless otherwise agreed by the parties or ordered by the Commission upon a showing of good cause; provided, that if the complaining party seeks a temporary restraining order, the hearing on the motion for a temporary restraining order shall be heard not later than two (2) business days after the filing of the Request, and provided further, if a party seeks a preliminary injunction, such motion shall be heard on 15 days' notice. The Commission shall set the date, time and place for the Enforcement Procedure hearing(s) within the proscribed time periods by giving notice by hand delivery to the Authority and the Contractor; except, where a temporary restraining order is sought, the Commission may give notice of the hearing date, time and place to the Authority, Contractor and any affected subcontractor by telephone.

(g) In the Enforcement Procedure proceedings hereunder, discovery shall be permitted in accordance with Code of Civil Procedure §1283.05.

2. Commission's Decision. The Commission shall render a decision within 20 days of the date that the hearing on a Request is completed; provided that where a temporary restraining order is sought, the Commission shall render a decision not later than 24 hours after the hearing on the motion. The Commission shall send the decision by certified or registered mail to the Authority, the Contractor and the subcontractor, if any.

(a). The Commission may enter a default award against any party who fails to appear at the hearing; provided said party received actual notice of the hearing. In a proceeding seeking a default award against a party other than the Contractor, the Contractor shall provide proof of service on the party as required by this Article. If the Contractor fails to provide proof of service, the Contractor shall pay \$2,500 as liquidated damages to the Authority, provided that no such damages shall be assessed if the Contractor demonstrates that it made good faith efforts to serve the party. In order to obtain a default award, the complaining party need not first seek or obtain an order to arbitrate the controversy pursuant to Code of Civil Procedure §1281.2.

(b). Except as otherwise provided in this Section 1, the Commission shall have no power to add to, subtract from, disregard, modify or otherwise alter the terms of the Agreement, or to negotiate new agreements or provisions between the parties.

(c). The inquiry of the Commission shall be restricted to the particular controversy that gave rise to the request for the Enforcement Procedure. A decision of the Commission issued hereunder shall be final and binding upon the Authority, Contractor, and subcontractors, if any, sent by mail to the Authority, the Contractor and the subcontractor, if any. The losing party shall pay the Commission's fees and related costs of the Enforcement Procedure. If a subcontractor is the losing party and fails to pay said fees within 30 days of the decision, the Contractor shall pay the fees. Each party shall pay its own

attorneys' fees provided that fees may be awarded to the prevailing party if the Commission finds that the Request was frivolous or that the Enforcement Procedure action was otherwise instituted or litigated in bad faith. Judgment upon the Commission's decision may be entered in any court of competent jurisdiction.

3. Remedies and Sanctions. Except as may otherwise be expressly provided herein, the Commission may impose only the remedies and sanctions set forth below and only against the non-compliant party(ies):

(a). Order specific, reasonable actions and procedures, in the form of a temporary restraining order, preliminary injunction or permanent injunction, to mitigate the effects of the Contractor's failure to make Good Faith Efforts, and/or to require Contractor and/or its subcontractors to make such Good Faith Efforts, including, but not limited to, orders enjoining the Contractor from recruiting, screening or hiring (through new hires, transfers or otherwise) any person for employment at the Premises pending resolution of the alleged deficiency(ies) in the Hiring Plan or Contractor's implementation of the Workforce Goals.

(b). Require the Contractor or Subcontractors to refrain from entering into new contracts related to work related to the Agreement, or from granting extensions or other modifications to existing contracts related to the Agreement, other than those minor modifications or extensions necessary to enable completion of the work covered by the existing contract, with any non-compliant subcontractor until such subcontractor provides assurances satisfactory to the Authority and the Contractor of future Good Faith Efforts to comply with the Workforce Goals.

(c). Direct the Contractor or subcontractor to cancel, terminate, suspend or cause to be canceled, terminated or suspended, any contract or lease or portion(s) thereof for failure of the subcontractor to make Good Faith Efforts to comply with the Workforce Goals, provided, however that Subcontracts may be continued upon the condition that a program for future compliance is approved by the Authority.

(d). If the Contractor or subcontractor is found to be in willful breach of its obligations to make Good Faith Efforts to achieve the Workforce Goals, impose financial penalties not to exceed \$50,000 or 10 percent of the total monetary consideration contemplated by the Agreement, whichever is less, for each such breach on the party responsible for the willful breach; provided, however, no penalty shall be imposed pursuant to this paragraph for the first willful breach unless the breaching party has failed to cure after being provided notice and a reasonable opportunity to cure. The Contractor or subcontractor may impose penalties for subsequent willful breaches whether or not the breach is subsequently cured. For purposes of this paragraph, "willful breach" means a knowing and intentional breach.

(e). Direct that the Contractor or subcontractor produce and provide to the Authority any records, data or reports that are necessary to determine if a violation has occurred and/or to monitor the performance of the Contractor or Subcontractor.

(f). Issue such other relief deemed necessary to ensure that the Hiring Plan is written and implemented, and that Contractor makes Good Faith Efforts to meet its Workforce Goals, including requiring the inclusion or exclusion of specific terms or provisions in the Hiring Plan based on a determination that the term(s) added or removed further the requirements and objectives of this Section 1.

4. Delays due to enforcement. If Contractor does not timely perform its obligations under the Agreement with the Authority because of a Commission's order against a party other than the Contractor, such order shall be deemed an event of Force Majeure, and the time for any performance by the Contractor shall be extended as provided therein; provided, however, that Contractor shall make good faith efforts to minimize any delays.

5. Exculpatory clause. The Contractor and its subcontractors hereby forever waive and release any and all claims against the Authority for Losses arising under or related to this Section 1.

6. California law applies. California law, including the California Arbitration Act, Code of Civil Procedure §§1280 through 1294.2, shall govern all the Enforcement Procedure proceedings.

7. Designation of agent for service. Not later than five (5) days after the execution of this Agreement, the Contractor shall designate a person or business, residing or located in the City and County of San Francisco, as its agent for service of a Request and all notices provided for herein. If the Contractor has an office located in San Francisco, it may designate itself as agent for service.

J. Relationship to Other Employment Agreements. Nothing in this Agreement shall be interpreted to prohibit the continuation of existing workforce-training agreements or interfere with consent decrees, collective bargaining agreements or existing employment contracts. In the case of collective bargaining agreements, Contractor will take primary responsibility for integrating the requirements of Contractor's Workforce Goals with any such collective bargaining agreements. As necessary, Contractor will attempt to negotiate equivalent first source hiring obligations with relevant unions.

AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Resolution Authorizing the
Authority to Amend and
Retroactively Extend the Term of
the Sublease with California
Engineering Contractors, Inc.
(Action Item)

Agenda Item No. 11
Meeting of February 9, 2005

Contact/Phone	Tony Hall, Executive Director (415) 274-0660 Marc McDonald, Facilities Director	
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SUMMARY OF PROPOSED ACTION

Staff Requests authorization to:

1. Retroactively extend the term of the Sublease
2. Reduce the Size of the Premises
3. Reduce the Rental Amount and the Rental Rate
4. Waive Penalties and Late Fees for Failure to Pay Rent in a Timely Manner.

DISCUSSION

On February 1, 2000 CEC entered into a sublease with TIDA for 146,667 square feet of land for the purpose of operating a lay-down yard to support the San Francisco-Bay Bridge Project. On November 1, 2000, the sublease was amended to add 22,960 square feet to the premises. On September 17, 2001 the sublease was amended a second time to add 71,400 square feet to the premises. On May 17, 2002, the sublease was amended a third time to accommodate a Navy remediation project by relocating premises demised to CEC in the 2nd Amendment to another site. On August 1, 2003, CEC notified staff that it would vacate premises added to the sublease in the 2nd Amendment and moved in accord with the 3rd Amendment. On September 11, 2000, CEC entered into a six-month Use Permit to use portions of Pier 1. This Use Permit was extended by subsequent Board

actions through September 2002. In September 2002 the Board approved a fourth amendment to the CEC sublease to incorporate the Pier into the CEC sublease through January 31, 2004. CEC remained in possession of the Pier through June 30, 2004 at which date it ceased occupancy of the Pier.

Sublease	Date	Square Feet	Rent	Rent psf
Base Sublease	1-Feb-00	146,667	\$22,000.00	\$0.15
1 st Amendment	1-Nov-00	22,960	\$3,444.00	\$0.15
2 nd Amendment		71,400	\$10,710.00	\$0.15
Pier			\$1,000.00	
<u>CAM Charges</u>			<u>\$460.92</u>	-
Total		169,627	\$37,614.92	\$0.15
3 rd Amendment	17-May-02	Relocate 71,400 sf	No change	No change

Surrender of 71,400 sf				
Base Sublease	1-Feb-00	146,667	\$22,000.00	\$0.15
1 st Amendment	1-Nov-00	22,960	\$3,444.00	\$0.15
2 nd Amendment (Surrendered Aug. 1, 2003)			\$0.00	
Pier			\$1,000.00	
<u>CAM Charges</u>			<u>\$460.92</u>	-
Total		169,627	\$26,904.92	
Surrender of Pier				
Base Sublease	1-Feb-00	146,667	\$22,000.00	\$0.15
1 st Amendment	1-Nov-00	22,960	\$3,444.00	\$0.15
2 nd Amendment (Surrendered Aug. 1, 2003)			\$0.00	
Pier			\$0.00	
<u>CAM Charges</u>			<u>\$460.92</u>	-
Total		169,627	\$25,904.92	

In June of 2004, CEC gave staff notice of its intent to vacate the premises on June 30, 2004. A routine inspection of the premises led staff to believe that hazardous materials may have been brought onto the site by CEC in the course of the conduct of its business. In response to a request from staff to test the site for hazardous materials, CEC initiated a

testing program which revealed the presence of various hazardous materials including lead, heavy metals and petroleum. In light of the nature of the materials involved in this disclosure and allegations from former employees that hazardous materials had been handled improperly, staff contacted the California Department of Toxic Substances Control (DTSC). At the same time, staff informed CEC that the CEC request to terminate their sublease effective June 30, 2004, was rejected and that CEC would be considered a tenant at sufferance pending removal of all CEC materials from the premises, including hazardous materials placed on the premises by CEC.

On August 1, 2004, CEC initiated a remediation program. CEC has expended in excess of \$200,000 on this program and removed in excess of 100 tons of materials from the premises.

In December of 2004, CEC submitted a soil sampling results that indicated that all hazardous metals had been removed and that petroleum products attributable to their operations had been removed. At the same time, CEC tendered a check in the amount of \$111,960.00 as satisfaction of their obligation to pay rent for the months of August, September, October, November and December 2004. Finally, CEC gave notice of their intention to vacate the premises effective December 31, 2004.

Staff rejected the CEC proposal and demanded payment of back rent for the months of August through December 2004. Staff counter-offered effective January 1, 2005, to reduce the premises by the area that has been certified as clear of hazardous materials by DTSC (22,960 square feet). Further, staff has offered to recommend to the Board, effective January 1, 2005, to allow CEC a right of entry onto those portions of the premises that are still under review for the presence of hazardous materials for the

purpose of testing and, if necessary, additional remediation action (136,667 square feet) at a cost of \$3,416.67 per month (\$0.025 psf). Finally, staff has offered to recommend to the Board, effective January 1, 2005, to allow CEC to retain 10,000 square feet of administrative space adjacent to the remediation site at a cost of \$2,500 per month (\$0.25 psf).

In the event staff recommendations are accepted:

Monthly Rent for the Period January 1, 2005 through May 31, 2005 will be:

Trailer Site	Full Rate	\$ 2,500.00	10,000 sf	\$0.250 psf
Remediation Site	Partial Rate	\$ 3,416.67	136,667 sf	\$0.025 psf
Total		\$ 5,916.67	146,667 sf	\$0.04 psf

Offers recommended by staff are conditional upon CEC vacating the premises by June 1, 2005 and by CEC not occupying the remediation site for any purpose other than remediation. If CEC violates either condition then the reduced rental rate for the remediation site expire and a market rental rate will be imposed at \$34,166.67 (\$0.25 psf).

In the event CEC violates the conditions described above:

Monthly Rent by or before June 1, 2005 will be:

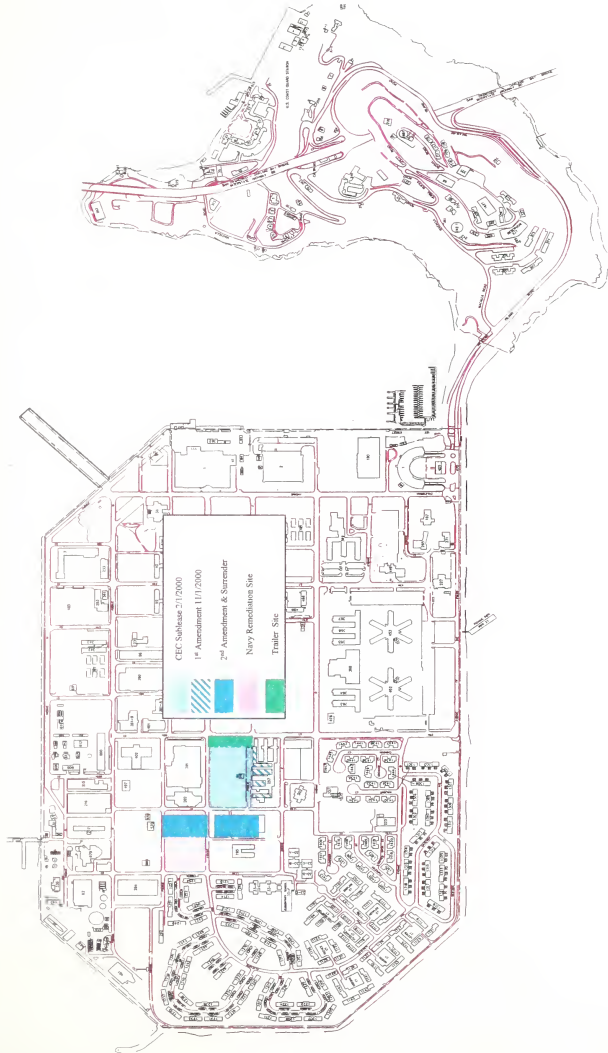
Trailer Site	Full Rate	\$ 2,500.00	10,000 sf	\$ 0.250 Psf
Remediation Site	Partial Rate	\$34,166.67	136,667 sf	\$ 0.250 Psf
Total		36,666.67	136,667 sf	\$ 0.250 Psf

RECOMMENDATION:

Accept staff recommendation to:

1. Retroactively extend the term of the Sublease

2. Reduce the Size of the Premises
3. Reduce the Rental Amount and the Rental Rate
4. Waive Penalties and Late Fees for Failure to Pay Rent in a Timely Manner.



1 [California Engineering Contractors Sublease Amendment]

2 **Authorizing the Executive Director to Negotiate and Execute an Amendment to the**
3 **Sublease between the Authority and California Engineering Contractors, Inc. ("CEC"),**
4 **to Accept Payment of Back Rent in the Amount of \$129,524.60 and Retroactively**
5 **Amend and Reduce the Leased Premises and the Rent Thereon to \$5,916.67 per Month.**

6 **WHEREAS**, The Authority and CEC entered into that certain Treasure Island Sublease
7 dated February 1, 2000 (hereafter referred to, together with all amendments described herein,
8 as the "Sublease") under which the Authority subleased to CEC a one square block area
9 consisting of approximately three (3) acres of unimproved land bounded by Avenue F, Avenue
10 H, 11th Street and 9th Street on Treasure Island for work related to the seismic retrofit of the
11 western span of the Bay Bridge (the "Leased Premises"); and,

12
13 **WHEREAS**, On November 1, 2000 and September 12, 2001, the Sublease was
14 amended to add land to the leased premises and to increase the total amount of rent under
15 the Sublease; and,

16
17 **WHEREAS**, On May 15, 2002, the Authority and CEC amended the Sublease to
18 replace the lands added in the amendment approved on September 12, 2001 with other
19 comparably sized land with no change in the total monthly rent for the substituted premises;
20 and,

21 **WHEREAS**, In 2003, CEC surrendered approximately 71,400 square feet of land,
22 which was the lands added under the May 15, 2002 amendment; and,

23 **WHEREAS**, The Sublease expired on June 30, 2004, and CEC has continued to
24 occupy the Leased Premises (as amended on November 1, 2000) on a hold over basis in
25

1 order to implement an environmental remediation program ordered by Authority staff in
2 accordance with directives from the California Department of Toxic Substance Control and to
3 restore the environmental condition of such Leased Premises to its original condition as is
4 required under the Sublease; and,

5 **WHEREAS,** In response to demands from staff for the payment of back rent, Authority
6 staff propose to waive late fees and penalty charges on rent owed up to December 31, 2004,
7 and amend the Sublease retroactively from January 1, 2005 to reduce the amount of land
8 under the Leased Premises and the rent on such Leased Premises to \$5,916.67 on condition
9 that CEC pay the full amount of rent owed from July 1, 2004 to December 31, 2004 in the
10 amount of \$129,524.60 and remain fully obligated to restore the condition of the Leased
11 Premises as required under the Sublease; and,

12 **WHEREAS,** Authority staff hopes to avoid the time and expense of litigation for the
13 payment of late fees and penalties and the restoration of the Leased Premises and seeks
14 authorization to negotiate and execute an amendment to the Sublease in accordance with the
15 terms and conditions set forth in the preceding recital and in greater detail in the letter
16 attached hereto as Exhibit A; now therefore be it
17

18 **RESOLVED:** That the Board of Directors hereby finds that it is in the best interests of
19 the Authority to avoid the time and expense of litigation and to approve the proposed terms
20 and conditions of the amendment to the Sublease as set forth in the letter attached as Exhibit
21 A.
22

23 **FURTHER RESOLVED:** That the Board of Directors hereby authorizes the Executive
24 Director to negotiate and enter into an amendment to the Sublease in accordance with the
25

1 terms and conditions of the letter attached hereto as Exhibit A, provided that (i) CEC pays to
2 the Authority \$129,524.60 on or before February 18, 2005, (ii) CEC remains fully obligated to
3 restore the condition of the Leased Premises as required under the Sublease, (iii) the
4 amended Sublease shall automatically terminate on March 31, 2005 if such amendment to the
5 Sublease is not ratified by the Board of Directors at its March, 2005 regular meeting, and (iv)
6 the Authority retains all rights under the Sublease to pursue all remedies available to the
7 Authority at law or in equity against CEC if any of the foregoing conditions are not satisfied.
8

9 **CERTIFICATE OF SECRETARY**

10
11 **I hereby certify that I am the duly elected and acting Secretary of the Treasure**
12 **Island Development Authority, a California nonprofit public benefit corporation, and**
13 **that the above Resolution was duly adopted and approved by the Board of Directors**
14 **of the Authority at a properly noticed meeting on February 9, 2005.**

15
16 _____
17 **Susan Po-Rufino,**
18 **Secretary**
19
20
21
22
23
24
25

CITY AND COUNTY OF SAN FRANCISCO


TONY HALL
EXECUTIVE DIRECTOR

TREASURE ISLAND DEVELOPMENT AUTHORITY
 410 AVENUE OF THE PALMS,
 BLDG. ONE, 2ND FLOOR, TREASURE ISLAND
 SAN FRANCISCO, CA 94130
 (415) 274-0660 FAX (415) 274-0289
 WWW.SFGOV.ORG/TREASUREISLAND

February 3, 2005

California Engineering Contractors, Inc.
 20 Happy Valley Road
 Pleasanton, CA. 94566
 Attn: Wahid Tadros

Re: Treasure Island - 9th Street Site

Dear Mr. Tadros:

I am writing to make an offer to resolve our discussions regarding back rent payments owed by California Engineering Contractors, Inc. (CEC) to Treasure Island Development Authority (TIDA).

Background

CEC entered into a sublease with TIDA for certain space on Treasure Island. This sublease was amended as follows:

Sublease	Date	Square Feet	Rent	Rent psf
Base Sublease	1-Feb-00	146,667	\$22,000.00	\$0.15
1 st Amendment	1-Nov-00	22,960	\$3,444.00	\$0.15
2 nd Amendment		71,400	\$10,710.00	\$0.15
Pier			\$1,000.00	
<u>CAM Charges</u>			<u>\$460.92</u>	
Total		169,627	\$37,614.92	\$0.15
3 rd Amendment	17-May-02	Relocate 71,400 sf	No change	No change

RECYCLED PAPER

TI DEV AUTH

02/03/2005 20:54 4152740295

9th Street Site
February 3, 2005
Page 2 of 6

Surrender of 71,400 sf				
Base Sublease	1-Feb-00	146,667	\$22,000.00	\$0.15
1 st Amendment	1-Nov-00	22,960	\$3,444.00	\$0.15
2 nd Amendment (Surrendered Aug. 1, 2003)			\$0.00	
Pier			\$1,000.00	
<u>CAM Charges</u>			<u>\$460.92</u>	
Total		169,627	\$26,904.92	
Surrender of Pier				
Base Sublease	1-Feb-00	146,667	\$22,000.00	\$0.15
1 st Amendment	1-Nov-00	22,960	\$3,444.00	\$0.15
2 nd Amendment (Surrendered Aug. 1, 2003)			\$0.00	
Pier			\$0.00	
<u>CAM Charges</u>			<u>\$460.92</u>	
Total		169,627	\$25,904.92	

The term of the sublease between CEC and TIDA expired on June 30, 2004. CEC remained in possession of the premises through December 30, 2004, to conduct a hazardous materials remediation program on the premises. CEC asserts that it completed the remediation program in December 2004. A review of testing results is underway under by TIDA, its consultants and the Department of Toxic Substances Control. CEC will remain in possession of the premises until closure of the remediation program.

CEC paid rent for the month of July 2004. CEC has not paid rent for the premises for the months of August, September, October, November and December 2004.

CEC has offered and delivered to TIDA a check in the amount of \$111,960 to satisfy its rental obligations to TIDA. While TIDA sincerely appreciates the offer, it cannot be accepted.

In an effort to resolve our differences, TIDA is willing to recommend the following proposal to the TIDA Board of Directors:

Back Rent

CEC shall pay all back rent + CAM due and owing in accord with the rental structure in place on June 30, 2004. In accord with the terms of the sublease, the CEC obligation through December 31, 2004 is as follows:

inf

9th Street Site
February 3, 2005
Page 3 of 6

Rent	\$127,220.00
CAM Charge	\$2,304.60
Late Charge	\$7,771.48
<u>Default Interest</u>	<u>\$2,525.32</u>

Total \$139,821.40

As an accommodation to CEC, staff will recommend waiver of Late Charges and Default Interest. After waiver of the Late Charges and Default Interest, the CEC obligation would be as follows:

Rent	\$127,220.00
CAM Charge	\$2,304.60
Late Charge	\$0.00
<u>Default Interest</u>	<u>\$0.00</u>

Total \$129,524.60

Therefore, TIDA staff is willing to recommend to the TIDA Board of Directors that outstanding rental obligations be satisfied by a total payment of \$129,524.60. In the event the TIDA Board accepts this proposal, TIDA would accept the check in the amount of \$111,960 and an additional check in the amount of \$17,564.60.

Premises

Additionally, the sublease would be amended to delete certain areas from the premises and to change the schedule of consideration that TIDA would accept for the premises. These changes would be made to distinguish those areas occupied by CEC for its operations from those areas that are subject to remediation efforts.

Current Status

CEC occupies approximately 3.9 acres at Treasure Island.

Sublease	Date	Square Feet
Base Sublease	February 1, 2000	146,667
1 st Amendment	November 1, 2000	22,960
Total		169,627

CEC
will
issue
a
revised

(TIDA will return the 111,960 check)

check for \$129,524.60

uf

9th Street Site
February 3, 2005
Page 4 of 6

Proposal

Premises between the wings of Building 257

The first amendment to the sublease increased the premises by 22,960 square feet. CEC has surrendered occupancy of this area from their premises. This area is not subject to the remediation program, therefore, in response to the CEC request this proposal would delete 22,960 square feet from the premises and reduce the rental obligation by \$3,444.00 per month

Remaining Premises

The remaining square footage of the premises would be 146,667 square feet or 3.4 acres.

The proposal for the remaining premises would adjust the rental obligation to reflect a reduction in premises subject to full rent as set forth below for the Trailer Site and the Remediation Site, respectively.

Trailer Site

The portion of the premises subject to full rent would consist of the 10,000 square feet of land beneath and adjacent to the trailers facing onto ~~9th Street~~ 11th street. The rental rate for this portion of the premises shall be \$2,500 or \$0.25 per square foot.

Remediation Site

The portion of the premises subject to partial rent would consist of 136,667 square feet. This portion of the premises would be subject to a reduced rent of \$3,416.67 (\$0.025 psf) per month. This area shall be referred to as the remediation site.

CEC shall access the remediation site strictly for the purpose of testing, investigation and remediation of hazardous materials. CEC shall not use the remediation site for storage, vehicle parking, operations or any purpose other than in furtherance of completing remediation of the site.

If CEC has not delivered to TIDA reports satisfactory to TIDA, TIDA's environmental consultant Geomatrix, and the California Department of Toxic Substance Control by June 1, 2005, or if CEC uses the remediation site for any purpose other than in furtherance of remediation, the rent for the remediation site shall be adjusted to reflect the fair market rental rate of \$34,166.67 or \$0.25 per square foot per month.

Adjusted Rent

Increased rent will commence on June 1, 2005 if reports are not filed by June 1, 2005, or on an earlier date, that date being when CEC commences to use the site for other than remediation purposes.

up

9th Street Site
February 3, 2005
Page 5 of 6

In accord with this proposal

Monthly Rent for the Period January 1, 2005 through May 31, 2005 will be:

Trailer Site	Full Rate	\$ 2,500.00	10,000 sf	\$0.250 psf #1
Remediation Site	Partial Rate	\$ 3,416.67	136,667 sf	\$0.025 psf #2
Total		\$ 5,916.67	146,667 sf	\$0.04 psf

Month to
Month
Basis
Individually

Monthly Rent if CEC fails to deliver a satisfactory Closure Report to TIDA as set forth below by or before June 1, 2005 will be:

Trailer Site	Full Rate	\$ 2,500.00	10,000 sf	\$ 0.250 Psf #1
Remediation Site	Partial Rate	\$34,166.67	136,667 sf	\$ 0.250 Psf #2
Total		34,166.67	136,667 sf	\$ 0.250 Psf

Month to
Month Basis
Individually

Closure Report

CEC shall retain responsibility and continue to work with TIDA to obtain an approved closure report for the Remediation Site, which closure report must include a "No Further Action" Determination from the California Department of Toxic and Substance Control.

Security Deposit

The current security deposit in the amount of \$66,000.00 shall remain in place to assure that CEC complies with all terms and conditions of the sublease with the Treasure Island Development Authority.

Sublease Amendment

The sublease between CEC and TIDA for premises at Treasure Island will be considered amended effective January 1, 2005. Except as expressly stated herein, all terms and conditions of the sublease shall be considered to be and remain in full force and effect throughout the term of the agreement and any amendments to the agreement.

If these general terms are satisfactory to you, please indicate your assent by signing below.

uf

9th Street Site
February 3, 2005
Page 6 of 6

If you agree to these general terms, the appropriate agreements will be drafted for approval by the TIDA Board of Directors and for execution by CEC and TIDA.

Please be aware that only the Board of Directors for TIDA has the authority to enter into and agree to any settlement agreement. This agreement is not considered binding on the parties until approval by the TIDA Board of Directors.

Thank you very much for your cooperation in this matter.

Sincerely,

Marc McDonald

Agreed


Wahid Tadros, California Engineering Contractors, Inc.

2/4/05

per my comments on
previous pages I thru 5
initialed by me

Notes

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the transparency and accountability of the organization. This section also outlines the various methods used to collect and analyze data, ensuring that the information is reliable and up-to-date.

2. The second part of the document focuses on the implementation of the proposed changes. It details the steps involved in the rollout process, from initial planning to final execution. This section also addresses potential challenges and provides strategies to overcome them, ensuring a smooth transition for all stakeholders involved.

3. The third part of the document discusses the ongoing monitoring and evaluation of the project. It highlights the importance of regular communication and reporting to keep all parties informed of the progress. This section also includes a timeline for the project, with key milestones and deadlines clearly defined.

4. The final part of the document provides a summary of the findings and conclusions. It reiterates the importance of the project and the commitment to achieving the desired outcomes. This section also includes a list of recommendations for future actions, ensuring that the organization remains on track and continues to improve its operations.

DRAFT

**MOU Between the Treasure Island Development Authority and
The San Francisco Film Commission Regarding the Lease of TIDA Facilities for
Film and Video Production**

The Treasure Island Development Authority (TIDA) is a non-profit, public benefit corporation dedicated to the economic redevelopment and civilian re-use of former Naval Station Treasure Island. The Treasure Island Conversion Act of 1997 granted in trust to and vested in TIDA all of the State of California's right, title and interest in tidelands trust property, subject to certain duties and responsibilities of the California State Lands Commission, and allowed the City's Board of Supervisors to designate TIDA as a redevelopment agency with all the rights, powers, and duties of a redevelopment agency under the California Community Redevelopment Law. On January 26, 1998, the Board of Supervisors adopted resolution number 43-98 designating TIDA as a redevelopment agency and local reuse authority for the conversion of Naval Station Treasure Island. TIDA also performs and administers vital municipal services for the residential and daytime populations during the interim reuse of the former military base, working in concert with community partners such as the Treasure Island Homeless Development Initiative and the John Stewart Company.

The San Francisco Film Commission markets and promotes San Francisco as a filming destination to the film industry. Outreach is done through industry trade shows, placing advertisements in film trade magazines, sales calls to New York and Los Angeles, and by providing expertise and knowledge to productions while filming takes place. The office also functions as a clearing house, both locally and nationally, for the industry where questions and requests are handled.

Both the Film Commission and the Treasure Island Development Authority acknowledge that TIDA leases land facilities from the U. S. Navy under a number of Master Leases and that pursuant to such Master Leases and other agreements with the Navy as well as the state and City enabling legislation referred to above, TIDA is responsible for management of all Treasure Island facilities that are available for film production activities and that those facilities are subject to the tidelands trust.

As the authority responsible for all facilities on Treasure Island, TIDA must be the entity that enters into any and all subleases directly with individuals and companies that enter onto and/or use facilities subject to the jurisdiction of TIDA. The terms and conditions of all subleases for any Treasure Island facilities shall be negotiated by TIDA directly with such individuals or companies subject to the approval of the TIDA in its sole and absolute discretion. All subleases shall be in substantially the form of TIDA's standard form of sublease, a copy of which is attached as Exhibit A.

TIDA can offer, subject to availability, the following facilities at market rates determined by TIDA:

DRAFT

Facilities:

Building 180

Building 2

Building 3

The Nimitz Conference Center

Building 180 is currently leased through July 31, 2005. Building 2 is currently lease long-term. Building Three is in negotiation for long-term lease, and the Nimitz Conference Center is leased through July 31, 2005.

If a film production company is interested in leasing one of the above facilities, the following steps will expedite the transaction:

1. Upon referral from the Film Commission, or direct solicitation by a production company, TIDA will negotiate the terms of the proposed lease.
2. Communications regarding the terms of the proposed lease will be solely by and through TIDA.
3. Concurrent with these negotiations, the production company will provide audited financial statements and any other relevant financial documentation, proof of insurance and articles of incorporation or other establishing documents.
4. Upon completion of negotiations, the production company will provide a security deposit equal to two months rent on the desired facilities.
5. Upon receipt of the required documentation and security deposit, TIDA staff will present the proposed lease to the TIDA Board of Directors for approval.
6. Subject to TIDA board approval, TIDA staff will execute the lease and provide access to the rented facilities.

Notes

Lined paper for notes with three binder holes on the right side.



TREASURE ISLAND DRAFT INFRASTRUCTURE PLAN

January, 2005

Treasure Island Infrastructure Plan

- A preliminary description of the infrastructure improvements to be provided by TICD during its redevelopment of Treasure Island and Yerba Buena Island
- Follows land use plan presented to TIDA
- Infrastructure Phasing Requirements
- Cost Estimates

Treasure Island Infrastructure Plan

Describes the general design standards, construction standards, criteria, and specifications for the Infrastructure Plan

- Streets and Transportation Infrastructure
- Wet and Dry Utilities
- Landscaping
- Open Space Parcels
- Geotechnical

Cost Estimate

DESCRIPTION	PHASE 1	PHASE 2	PHASE 3	TOTAL
CONTAMINATED SOIL REMEDIATION	TBD	TBD	TBD	TBD
MAINTENANCE				
Existing Utilities for Interim Period	TBD	TBD	TBD	TBD
DEMOLITION AND DECONSTRUCTION	\$ 4,730,000	\$ 2,540,000	\$ 4,858,750	\$ 12,128,750
GEOTECHNICAL	\$ 32,610,000	\$ 1,664,500	\$ 1,664,500	\$ 35,939,000
STREET IMPROVEMENTS	\$ 4,240,000	\$ 2,890,000	\$ 4,849,980	\$ 11,969,980
TRANSPORTATION				
Ferry Terminal	\$ 7,750,000			\$ 7,750,000
Parking Structure		\$ 5,500,000		\$ 5,500,000
Shuttle Bus/Bicycle Facility	\$ 830,000			\$ 830,000
WATER SYSTEM	\$ 5,923,200	\$ 915,000	\$ 1,285,000	\$ 8,123,200
Water Line on Bay Bridge	TBD	TBD	TBD	TBD
FIRE FIGHTING	\$ 1,725,200			\$ 1,725,200
SANITARY SEWER SYTEM	\$ 22,770,000	\$ 1,050,000	\$ 1,770,000	\$ 25,590,000
RECLAIMED WATER SYSTEM	\$ 1,200,000	\$ 725,000	\$ 725,000	\$ 2,650,000
STORM DRAIN SYSTEM	\$ 3,861,250	\$ 6,200,000	\$ 2,630,000	\$ 12,691,250
DRY UTILITIES				
Upgrades to Off-island Electrical	\$ 3,600,000	\$ 1,050,000	\$ 2,120,000	\$ 6,770,000
RECREATIONAL/OPEN SPACE	TBD	TBD	TBD	TBD
Parks and Plazas	\$ 30,112,413	\$ 6,526,206	\$ 13,937,542	\$ 50,576,161
Recreational Pier	\$ 400,000		\$ 277,000	\$ 400,000
Seawall Repair / Macallia Road			\$ 277,000	\$ 277,000
Streetscapes	\$ 4,732,090	\$ 2,164,150	\$ 1,157,550	\$ 8,053,790
YBI			\$ 3,843,000	\$ 3,843,000
Subtotal - Direct Construction Cost	\$ 124,484,153	\$ 31,214,856	\$ 39,118,322	\$ 194,817,331
CONTINGENCY	\$ 24,896,831	\$ 6,242,971	\$ 7,823,664	\$ 38,963,466
CONSTRUCTION MANAGEMENT	\$ 9,336,311	\$ 2,341,114	\$ 2,933,874	\$ 14,611,300
ENGINEERING	\$ 14,075,000	\$ 6,522,500	\$ 6,522,500	\$ 27,120,000
TOTAL CONSTRUCTION COST	\$ 172,792,295	\$ 46,321,441	\$ 56,398,361	\$ 275,512,097

Infrastructure Phasing Involves Multiple Coordination Issues

- Hazardous Materials Remediation Efforts
- Continued Service for Existing Housing and Facilities
- Construction During Geotechnical Stabilization
- Off-Site Utility Upgrades
- Recognizes On-site Revenue Producing Uses and Open Space Activities, Including TI Perimeter Pathway
- Construction of East Span of Bay Bridge

Treasure Island Three Phase Development Allows for Phased Infrastructure Construction



TREASURE ISLAND PHASE I
DEVELOPMENT AREA

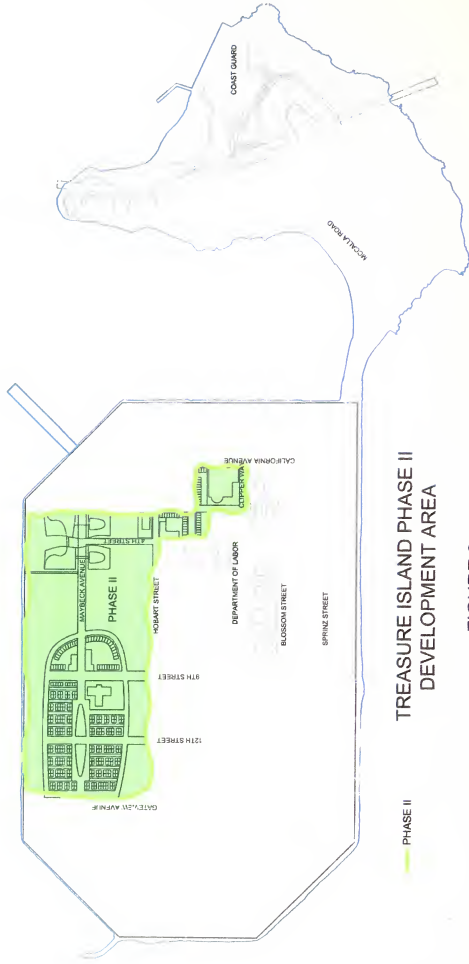
FIGURE 1

Treasure Island Three Phase Development Allows for Phased Infrastructure Construction



FIGURE 1a

Treasure Island Three Phase Development Allows for Phased Infrastructure Construction



TREASURE ISLAND PHASE II
DEVELOPMENT AREA

FIGURE 2

Treasure Island Three Phase Development Allows for Phased Infrastructure Construction



FIGURE 2a

Treasure Island Three Phase Development Allows for Phased Infrastructure Construction



Treasure Island Three Phase Development Allows for Phased Infrastructure Construction



FIGURE 3a

Phasing Plan Must Provide for Uninterrupted Utility Service to Existing Facilities



FIGURE A.1

Coordination With Environmental Remediation Effort Key to Project Success



Demolition/Deconstruction to Occur During Each Phase

- Includes all non-retained existing buildings and infrastructure features
- Deconstruction allows for maximum re-use of materials
- Demolition/Deconstruction Plan to be submitted for approval as part of the DDA

Demolition/Deconstruction Plan Addresses Stakeholder Issues

- Storm Water Pollution Prevention Plan
- Traffic Management
- Material Handling/Disposal
- Dust and Noise Control
- Stockpiling
- Caltrans Coordination
- Soils and Groundwater Management
- DBI Coordination

Geotechnical Effort Focuses on Early Stabilization of Island

- **Shoreline**
 - Stone Columns
 - Soil Cement Columns
- **Causeway**
 - Strengthened Utility Corridor
- **Interior**
 - Strengthened Backbone Utility Loop
- **Vertical Development**
 - Surcharging
 - Vibratory Compaction
 - Deep Dynamic Compaction
 - Building Foundation Alternatives

Street System



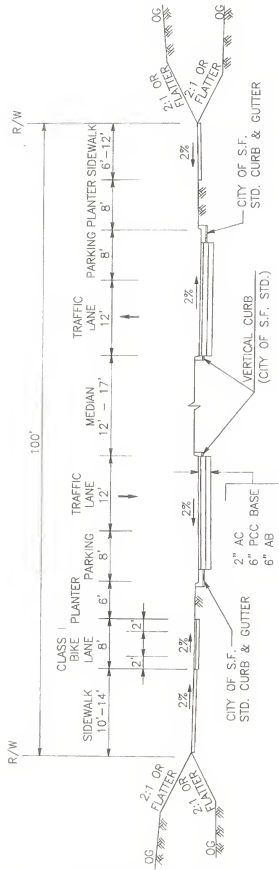
DRAFT LAND USE
PLAN STREET LAYOUT

FIGURE D.1

Transportation Infrastructure Provides Multiple Options

- Street System
 - Arterials
 - Collectors
 - Neighborhood Streets and Mews
 - Bridge Ramps
- Bikeways
- Pedestrian Access
- Ferry Terminal
- Bus/Shuttle Facilities
- Parking Structure

Proposed Street Cross Sections Provide for Multiple Transportation Modes

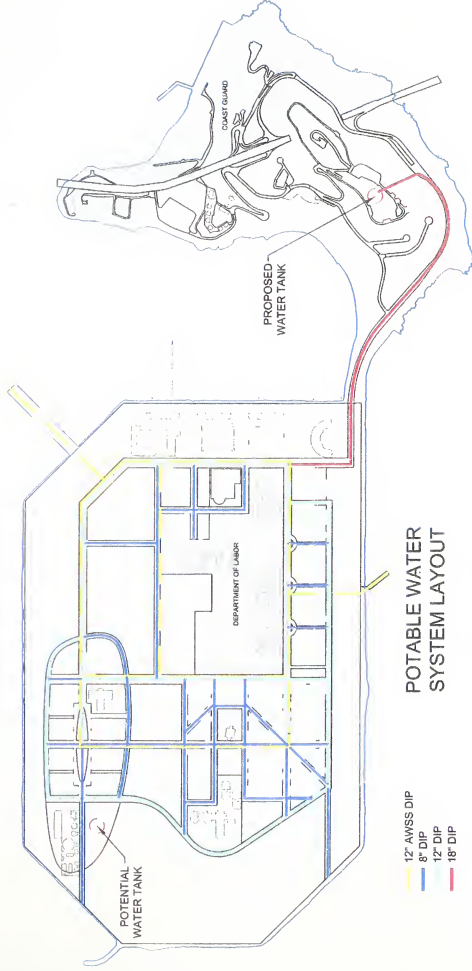


ARTERIAL STREET WITH CLASS I BIKE LANE

PROPOSED STREET CROSS SECTION

FIGURE D.2

Water Distribution System



POTABLE WATER
SYSTEM LAYOUT

FIGURE E.1

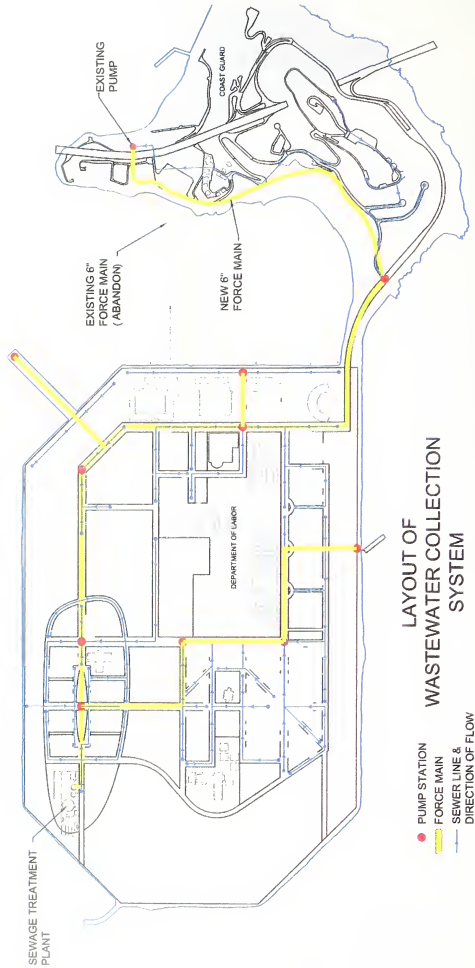
Potable Water System Combines Supply and Storage to Meet Peak Demand

- Peak demand is 1,256 gpm
- Available supply is 1,800 gpm Via 10 inch pipeline on Bay Bridge West Span
- Fire demand is 3,500 gpm
- Storage requirements
 - Needed to meet fire flows
 - 4 million gallons proposed
- Potential need for backup water system under consideration

Plan Includes Alternatives for Meeting Fire Protection Requirements

- Use of Potable Water System
 - Storage on One or Both Islands
 - Fire Flow Pumping Station
- Use of Bay Water
 - Storage
 - Direct Pumping
- Need for Redundant System Under Evaluation

On-Site Distribution System Conveys Wastewater to Treatment Plant or Pumping Station



LAYOUT OF
WASTEWATER COLLECTION
SYSTEM

FIGURE G.1

Wastewater Treatment Options

Include On-site, Off-site

- On-site
 - New Wastewater Treatment Plant
 - Recycled Wastewater Capability
- Off-site
 - Two Pipelines on East Span of Bay Bridge to EBMUD (Under Evaluation)
 - Relies on Timing of East Span Construction

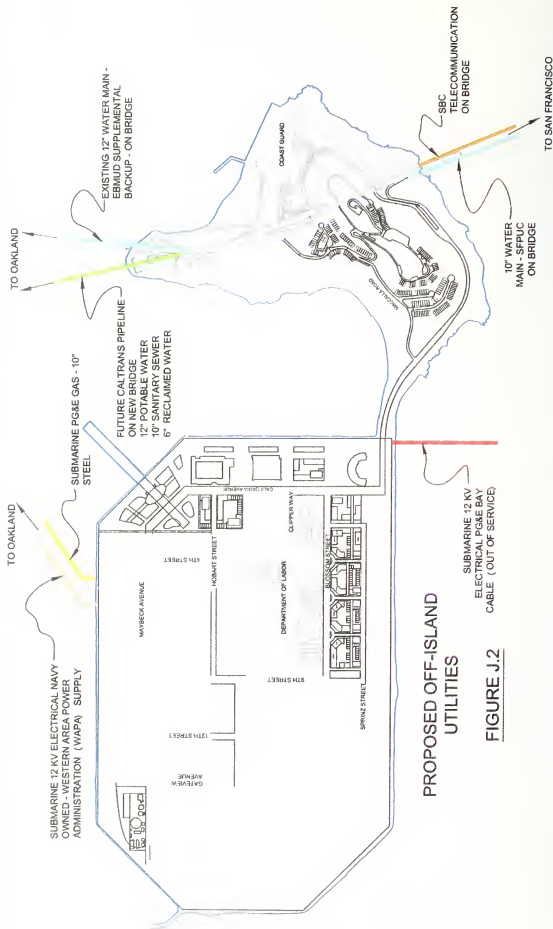
Storm Drain System Includes Pre-Treatment Options

- Entire system to be replaced
 - Pipes
 - Sixteen pumping stations
- All outfalls on TI and affected outfalls on YBI to include liquid/solid separators
- Development plan includes a treatment wetland
 - Liquid/solid separator included as pre-treatment for wetland

Service to TI/YBI Comes From Multiple Sources

- Electric (Cost TBD)
 - Oakland PG&E Substation
 - PG&E Transmission Line
 - Port of Oakland Substation
 - Overhead Lines
 - Underground Lines
 - Submarine Cable
- Gas
 - Submarine Pipeline from Oakland to be Replaced by PG&E
- Telecommunications
 - Replacement by Providers

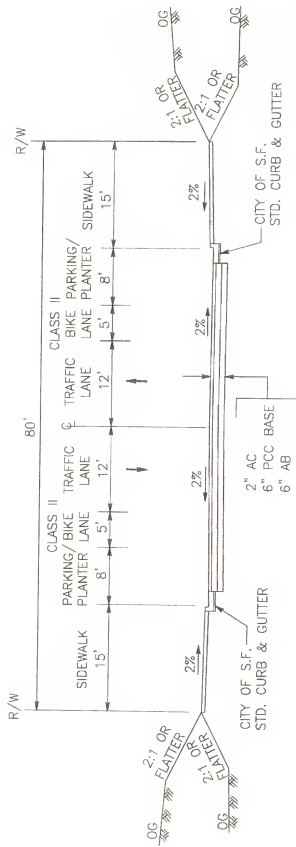
Off-Island Utility Supplies



Cost Estimate

DESCRIPTION	PHASE 1	PHASE 2	PHASE 3	TOTAL
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TRANSPORTATION				
Ferry Terminal	\$ 7,750,000			\$ 7,750,000
Parking Structure		\$ 5,500,000		\$ 5,500,000
Shuttle Bus/Bicycle Facility	\$ 830,000			\$ 830,000
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RECLAIMED WATER SYSTEM	\$ 1,200,000	\$ 725,000	\$ 725,000	\$ 2,650,000
STORM DRAIN SYSTEM	\$ 3,861,250	\$ 6,200,000	\$ 2,630,000	\$ 12,691,250
DRY UTILITIES				
Upgrades to Off-Island Electrical	\$ 3,600,000	\$ 1,050,000	\$ 2,120,000	\$ 6,770,000
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TOTAL CONSTRUCTION COST	\$ 172,792,295	\$ 46,321,441	\$ 56,398,361	\$ 275,512,097

Proposed Street Cross Sections Provide for Multiple Transportation Modes

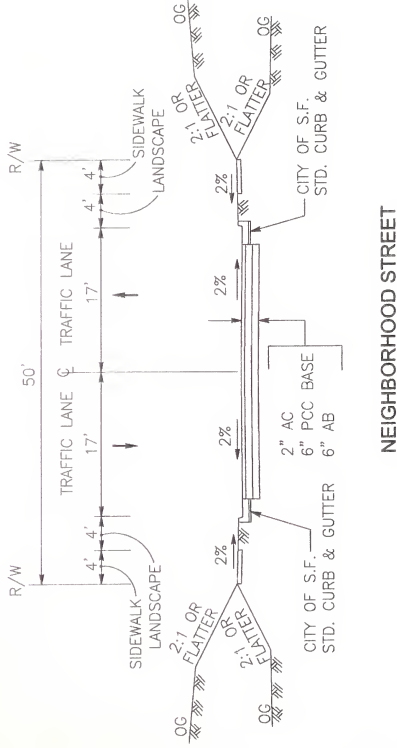


COLLECTOR STREET WITH CLASS II BIKE LANE

PROPOSED STREET CROSS SECTION

FIGURE D.3

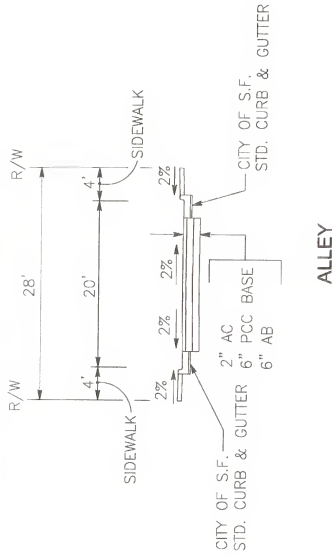
Proposed Street Cross Sections Provide for Multiple Transportation Modes



PROPOSED STREET CROSS SECTION

FIGURE D.4

Proposed Street Cross Sections Provide for Multiple Transportation Modes



PROPOSED MEWS CROSS SECTION

FIGURE D.5



Notes



TREASURE ISLAND DEVELOPMENT AUTHORITY

410 AVENUE OF THE PALMS,
BLDG. ONE, 2ND FLOOR, TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660 FAX (415) 274-0299
WWW.SFGOV.ORG/TREASUREISLAND

DRAFT Minutes of Meeting
Treasure Island Development Authority
February 9, 2005

City Hall, Room 400
1 Carlton B. Goodlett Place
San Francisco, CA

DOCUMENTS DEPT.

1. Call to Order: 1:37 PM

MAR - 4 2005

Roll Call Present: Claudine Cheng (Chair)
Susan Po-Rufino (Vice-Chair)
Jared Blumenfeld
Monique Moyer
Marcia Rosen
Supervisor Chris Daly (ex-officio)

SAN FRANCISCO
PUBLIC LIBRARY

Excused: John Elberling
William Fazande

2. Executive Director's Report by TIDA Executive Director Tony Hall.

Mr. Hall asked TIDA Finance Director John Farrell to provide a report to the Board.

Mr. John Farrell, TIDA Financial Director, provided a financial information sheet to the Board containing updated expenditures and revenue figures.

Supervisor Daly requested a more detailed breakdown of the "Professional & Specialized Services" and "Other Current Expenses" expense items.

Mr. Farrell stated he would provide that information before the end of the week.

Mr. Hall continued his report:

- Great progress being made with ongoing PUC working group. Deputy Director Gallagher has been attending a great many of these meetings. Payment issues have also been resolved for PUC back-up generators on Islands.

- Revised draft of TIDA emergency plan was recently submitted to the Office of Emergency Services. In addition, an outdoor public warning service has been installed on Treasure and Yerba Buena Islands in cooperation with the Office of Emergency Services.

Neighborhood Emergency Response Team training begins soon for Treasure and Yerba Buena Island residents.

- Work continues with Mr. Cohen's Office of Base Reuse and Development to develop a comprehensive political strategy that will hopefully lead to early conveyance.

- TIDA staff is developing a strategic communications plan which will be used as a comprehensive and inclusive way to educate the public at critical junctures as development goes along.

3. Response to Previous Requests for Information by Directors provided by Executive Director Hall

- Executive Director Hall stated that at Director Blumenfeld's request, TIDA has agreed to let the Water Transit Authority to build a hydrogen-fuel-cell ferry boat and find an interim operator until Treasure Island ferry service comes on-line. In exchange for permission to expend the funding, TIDA will enter into an MOU with the WTA specifying that the fuel-cell boat will return to Treasure Island when needed.

- Executive Director Hall provided a table of current peak-hour water usage rates on Treasure Island, information which was requested by Director Blumenfeld.

-Ms. Kyri McClellan, Mayor's Office of Base Reuse and Development, spoke concerning active grants within TIDA's portfolio. There is a grant for a geotechnical and seismic study of the causeway between Treasure and Yerba Buena Islands, one temporary ferry terminal grant and two permanent ferry terminal grants, and the fuel-cell ferry grant. Pointed out that the causeway study grant is due to expire in September. All of these grants will come back to the TIDA Board for approval. The permanent ferry terminal grant expires in September as well.

Director Rosen asked if a resolution was necessary to authorize the Executive Director to seek matching grants sources or do anything else to expedite meeting any grant deadlines.

Ms. McClellan stated she believed it would be premature to do so as early as the March meeting.

Director Blumenfeld asked what staff was waiting for from DPW and MUNI in regards to the causeway study.

Ms. McClellan stated staff is waiting for one of their contractors to come back with a proposal. Hopefully it will be in this week or early next week. In terms of the temporary and permanent ferry terminals, staff is waiting for the transportation plan and ferry terminal location to be fully fleshed out.

Director Blumenfeld asked what the process was for voting on the ferry terminal location so TIDA does not lose out on any of this funding.

Mr. Michael Cohen, Mayor's Office of Base Reuse and Development, stated that when the land use plan and transportation plan are overlaid that a good amount of certainty will develop as to the location of the ferry terminal. Granting agencies have a certain level of comfort with the project so far.

-Mr. Farrell responded to Director Rosen's request for information on the stock of Navy vehicles transferred to TIDA. Total stock is 84 vehicles, 69 are assigned to various City agencies with the remaining 15 assigned to TIDA. Of these 15 vehicles, 3 are currently operable.

Director Rosen requested that information be provided in a uniform written format for overall issues such as these for the purposes of transparency.

Director Po-Rufino asked about the status of other Navy property transferred to TIDA

Executive Director Hall stated that most of that equipment is in warehouses scattered throughout the Island.

Director Blumenfeld asked if TIDA was reimbursed by City departments for vehicles transferred to them.

Mr. Farrell stated that he was not aware of any funds transferred for use of these vehicles but he will look into it.

Executive Director Hall stated that no funds had been transferred for use of these vehicles

Director Moyer asked where it is articulated that TIDA is the caretaker of these vehicles. Asked if this makes TIDA liable for insurance on the vehicles and other relevant issues.

Mr. Marc McDonald, TIDA staff, stated that TIDA is obligated to insure all assets that the Navy has turned over to TIDA that are insurable, including the vehicles. Stated there is no agreement or cost offsets for use of TIDA's vehicle assets. The three operable vehicles are in a pool for sign-out by employees.

4. Report by Mayor's Office of Base Reuse and Development provided by Mr. Michael Cohen

- Navy negotiations. Working on achieving agreement on shared assumptions concerning environmental cleanup and any residual value for the Island. Presented Land Use, Infrastructure, and Affordable Housing Plans to Navy at a January meeting.

- Hoped to present Sustainability Plan today. Will be presented next month instead. Should be a well vetted plan. Staff also hopes to provide the design guidelines of the term sheet at next month's meeting.

Director Cheng asked if there will be public hearings on any and all of these plans in the future.

Mr. Cohen stated there are public hearings at the CAB and the TIDA Board, in addition to bringing the term sheet to the Board of Supervisors for endorsement. Also stated that Executive Director Hall is working on a communications and outreach plan which will allow the public to learn more about the plans for Treasure Island.

Director Blumenfeld asked how negotiations were going with the Navy now that an election has passed and staff knows what the Navy's general stance is towards negotiations for the next 4 years.

Mr. Cohen stated that staff has had success in working towards shared assumptions with the Navy. The Navy is also getting a better picture of the economics that drive this project.

5. Communications

Communications were received from San Francisco Tomorrow, Walk San Francisco, San Francisco Planning and Urban Research Association, Alliance for a Clean Waterfront, Bluewater Network, the San Francisco Bicycle Coalition, and the Harvey Rose Corporation.

Director Rosen stated that she wanted to clarify the public record as it related to the Harvey Rose audit report included in the communications. Stated that on Page 6 of the report, the findings are no longer accurate in that TIDA has paid the Redevelopment Agency in full for

the personnel and related administrative costs from July 2004 through March 31, 2005 and have worked out an arrangement for a forward reimbursement mechanism. The record should reflect that all terms of the Agency Agreement, with respect to that forward reimbursement, have been worked out and all monies payable have been received by the Redevelopment Agency.

Executive Director Hall stated that the intent was for the audit report to be transferred at this meeting and that a separate item would be calendared at the next meeting for further discussion.

Director Moyer stated she was happy that the findings of this report were not extraordinarily significant, relevant to the 117 findings from the audit of the Port of San Francisco. Stated she was disturbed that it stated the Authority mismanaged funds when 75% of the budget is related to City costs, and there is no recognition of the fact that City costs have increased by 50% over the last five years. Stated that implications that the Authority is or was mismanaged are unfair. If the report were to look at Board minutes, it would be clear that the Board was very concerned about the need to balance a budget around rising costs. The report is also silent as to the amount of reserves that TIDA has, as compared to the amount of reserves the City has as a whole. Hopes further discussion will take into account the fact that due to budget constraints and rising City costs most all departments are in this type of crisis situation, and it is not unique to the Authority.

6. Citizen Advisory Board Report provided by CAB Chair Karen Knowles-Pearce

Ms. Knowles-Pearce stated that at the last meeting the CAB held annual elections and she was re-elected. CAB also discussed the infrastructure plan and as a result encouraged a transit-oriented community and transit-calming measures, asked that climate change issues be considered during geotechnical review, and encouraged the developer to consider the phasing challenges carefully while development is ongoing. The CAB also encouraged considerable creativity for flora and fauna that is located along shoreline roads, and overall landscaping with an emphasis on greenery and aesthetics as well as proper management of potential pollution from vehicles on the Island.

7. Ongoing Business by Directors

Director Moyer asked what was the frequency of the Financial Report provided by staff.

Mr. Farrell stated that the report provided today was to-date; in the future he will provide them on a quarterly basis.

Director Blumenfeld asked if other City departments have provided TIDA with a line-item of how they intend to spend the money they receive from TIDA

Mr. Farrell stated that he has gone to City departments to request this information.

Director Blumenfeld suggested that staff gather from other City departments how they intend to spend the money they receive from TIDA using a standard form that can be used to compare across the departments.

8. General Public Comment

Mr. Josh Hart, San Francisco Bicycle Coalition, encouraged the Board to support a bicycle and pedestrian path on the Western span of the Bay Bridge, between Treasure Island and San Francisco. A bicycle and pedestrian path is planned for the new Eastern Span. A path on the western span would provide more alternative transportation options to and from Treasure Island as well as many other benefits.

Ms. Sherry Williams, Executive Director of TIHDI, invited the Board to an open house at the ShipShape facility on March 5th from 11 AM to 1 PM. The ShipShape is the community center on the Island and has been going through a makeover to the exterior and interior of the building. Many different classes and community programming takes place at the ShipShape.

9. Consent Agenda

There was no public comment on Consent Agenda items

Director Po-Rufino motioned for approval of all items on the Consent Agenda

Director Rosen seconded the motion

All items were approved unanimously

10. Sublease with Voice of Pentecost for Building 3, Treasure Island

Mr. Marc McDonald, TIDA staff, presented a sublease for Building 3 on Treasure Island with the Voice of Pentecost. This item was addressed by the Board at the December 2004 meeting, at the time there was consensus that this was a fair-market and workable lease. Two concerns raised by the Board at that meeting were insurance and damage and destruction to the building. Since that time, these parts of the contract have been reviewed by Risk Management and are considered acceptable. One noticeable difference is that the party named has changed from Wysiwyg Productions to Voice of Pentecost, this was changed when it was determined that Wysiwyg was not acceptable as an fiscal entity, however Voice of Pentecost was determined to be acceptable, thus the change in named party. They are a local company, located on Ocean Avenue, and are working with TIHDI in respects to employment on the Island.

Director Cheng asked if the group was taking the building in its current condition.

Mr. McDonald replied that the group was taking the building in its current condition and would be putting \$100,000 into repairing a leak in the roof of the building.

Supervisor Daly left the Board at 2:55 PM

Director Rosen stated there are several differences between what was presented in December and what is in front of the Board now and she would like to recite them and have staff enumerate the reasons for the changes. First, the original sublease had four one year extensions, this proposal has six one year extensions, also in December the document said Building 3 was to be used exclusively for filming and production of motion pictures and the current proposal now says it is also for other uses approved by the Executive Director but the authority to do so in the sublease lies with the sub landlord, the Authority. There now also is an additional right of the subtenant to sublease which wasn't addressed in December. Asked counsel to clarify that by having a provision which allows for six one year extensions that the Authority is negotiating in good faith, as it seems to her that this precludes the Authority from having discussion about other use of the Building, as there may be competing uses on an interim, or long term basis, and stated she wasn't sure if granting basically exclusive use for such a long period of time was wise.

Mr. McDonald stated that the Voice of Pentecost had requested the multiple extensions as a way to amortize production costs they expect to undertake. With respect to exclusive film versus other uses, staff expects to direct some of the events that normally take place on the Island

to the tenant for sublease of the premises for the event, at which time the Authority would be entitled to 50% of the sublease proceeds, in addition to the rent received from the tenant.

Director Rosen asked why the memo stated these decisions would be made with the sole discretion of the Executive Director when the sublease language states they are made by the sub landlord, which is TIDA unless TIDA specifically delegates those responsibilities.

Mr. McDonald stated that he will be happy to assure that should they wish, this is an issue the Board can address.

Deputy City Attorney Choy stated he does not believe that this is an exclusive negotiating provision. Does not preclude the Board from indicating they would prefer another type of use or making the determination that other development opportunities are in the best interest of the future of the Island.

Director Rosen left the Board at 3:03 P.M.

Director Cheng asked if there was a certain period of time before the option to extend or not extend that the Authority will be noticed.

Mr. Choy stated that the subtenant must give notice 90 days prior to the expiration to the sublease.

Director Blumenfeld stated that as he understands it, previous use of the hangar was for about \$35,000 per month. With the consideration that the Authority is not giving preference to any one religious group, asked staff to explain why the current rent for the building is half that price.

Mr. McDonald stated that he conducted a survey of production spaces in the Bay Area and in Vancouver, as well as a thorough evaluation of the condition of the building, and it was his opinion that this was a proper market rate for the facility offered. Many aspects of the building are not perfect, as you might find in other facilities offered in competitive locations.

Director Blumenfeld requested that staff attempt to work with the subtenant to reduce the amount of diesel generators used during production, as diesel generators are a major source of unregulated pollution.

Director Po-Rufino asked where Wysiwyg is now in all of this

Mr. McDonald stated he is not sure where Wysiwyg is. When staff asked for financial statements for Wysiwyg and the parent company, it was found that Wysiwyg was undercapitalized, but the parent company is well capitalized, thus staff looks to Voice of Pentecost as the sole responsible party under this lease.

Executive Director Hall stated this is the same scenario as with what happened with Rent LLC. It is actually safer to deal with the parent company.

Director Moyer complemented staff for their hard work on this issue. Stated that she feels strongly that TIDA does not have a role in the tenant's business decision on amortizing expenses as it relates to the length of the sublease. Would prefer four extensions instead of six, which takes the Authority out of bounds in regards to how it has treated tenants in the past. Commended staff on the work done on the insurance and damage and destruction parts of the sublease. Proposed that staff explore the option that any proposed sublease uses of the facility that will extend past 30 days be brought before the Board as a solution to the issue raised earlier

by Director Rosen. It is inefficient to have the Board approve short-term or weekend uses of the facility. Asked that unless there was sufficient reason, the whereas clause referring to the building being underused be stricken from the resolution. Asked for clarification on the resolution language referring to the "goals of the Authority".

Mr. Choy stated that the Board has adopted Rules and Procedures for Real Property, one of the goals of which is the promotion of film production activities. In furtherance of that, these Rules and Procedures have also exempted out leases to film production companies from competitive awarding of leases. That is what these recitals reflect.

Director Moyer stated that she read in the sublease that there is a clause that prohibits the US Navy from being portrayed in an uncomplimentary light. Asked if there has been a discussion with the tenant in regards to the content of their film portraying San Francisco in an uncomplimentary light, and asked if the Authority has any say as to the content of the films produced. Stated that in the past the City has given grant money to religious entities only to have that entity use the funding for discriminatory purposes. Stated that there is not a current remedy in this contract but this is something that should be a concern to the Authority.

Mr. McDonald stated that standard leases do not allow discrimination.

Mr. Choy stated that the Authority has to be careful when talking about regulating product since that gets into First Amendment rights.

Director Moyer stated that in the past the City gave money to a group that produced an anti-Semitic product and something like that would be unacceptable and embarrassing. Does not want the Authority's grant of a public asset to be used for such a purpose.

Director Blumenfeld stated that there is a difference between a grant of public funds for a product and a fair-market rent for a facility. Any member of the public could rent this facility same as the proposed tenant.

Director Moyer stated it is the Authority's responsibility to make sure the facilities are used in a responsible fashion.

Mr. Choy stated that generally the product in question is speech, and the Authority may be running into some Constitutional issues if they are looking to limit speech.

Mr. Ted Frazier, Associate Pastor for the Voice of Pentecost Church, spoke regarding the Voice of Pentecost's proposed use of Building 3. Stated there has never been any problem with discrimination against anyone in their church. Stated their goal is to produce films to show how people from different races and different groups can come together and work together. Not all members of the film production unit are even members of the church. Stated that in his experience with the Voice of Pentecost he has never witnessed discrimination with employment or with any product coming from the Voice of Pentecost.

Director Moyer asked what was done with the films produced by Voice of Pentecost

Mr. Doug Lanza, Associate Pastor of the Voice of Pentecost, stated that the Voice of Pentecost has been in existence in San Francisco for over 40 years. Stated it is their plan to make this film into a commercially distributed product. The point of the story is based on the Biblical story of Joseph. Underlying theme is to show how a young boy is reunited with his father. Does not feel there is anything in the script that will be discriminatory or offensive to anyone.

Executive Director Hall stated that there was considerable talk about the length of the lease, however staff realized that the tenant has costs and wanted to assure the tenant that their commitment would be honored, while at the same time recognizing that legally the Authority

could not commit to more than a year lease. Stated rehabilitation of Building 3 is difficult to find when looking at commercial tenants.

Public Comment

Ms. Linda Richardson urged the Board to approve the item before them. Stated that the Voice of Pentecost is one of the most generous and compassionate churches in San Francisco. Invited the TIDA Board to come experience the good works that goes on at the church.

Director Moyer moved approval of the item with the following amendments: six extensions be amended to four extensions, the sixth "Whereas" be deleted, and in the "Further Resolved" clause amend six extensions to four extensions, and to add a "Further Resolved" clause to allow the Executive Director to make an amendment to the sublease with respect to short-term subleasing of the property up to a fixed period of time, not to exceed 30 days, without needing to bring such subleases back to the Board for further approval.

Director Blumenfeld seconded the motion as amended

The item was approved unanimously

11. Sublease Amendment with California Engineering Contractors

Mr. Marc Mc Donald, TIDA staff, presented an amendment to the sublease with California Engineering Contractors (CEC). CEC has been on the Island since 2000 as a lay down yard in support of operations on the Bay Bridge. IN June, 2004 CEC wanted to leave the premises. Sandblasting material and paint with lead chips in it was found in their yard upon move-out/ review, as well as an above-ground tank that indicated an oil spill. Since then CEC has removed over 100 tons of material from the site, as of now the work looks to be substantially complete based on conversations with the Department of Toxic Substance Control and Geomatrix consultants. CEC has agreed to pay a right of entry lease for the purpose of finishing environmental remediation as well as rent to maintain an office on the site to oversee completion of the remediation.

Director Moyer asked why the Board was being asked to waive CEC's late fees.

Mr. McDonald stated that he considers this a negotiated approach and the terms are part of a proposed settlement based on the background of the issue.

Mr. Choy stated there is a potential violation of the sublease in that the sublease prohibits release of hazardous materials on the premises, which appears to have occurred. These are negotiations to avoid potential litigation to enforce the provisions of the sublease. The policy decision is whether the proposed settlement is worth avoiding the time, necessity and cost of proceeding with litigation.

Mr. McDonald stated that CEC's position is that they do not owe rent starting July 2004. It is \$10,000 in late fees being waived in exchange for TIDA receiving the \$119,000 in back rent owed by CEC back to July 2004 and remediation of the land. IF CEC is not off the premises with a closure report from DTSC and assurances by consultants by June 1, 2005, the rent goes up to 25 cents per square foot.

Director Moyer motioned for approval of the item

Director Po-Rufino seconded the motion

The item was approved unanimously

12. Discussion of proposed Memorandum of Understanding between TIDA and the San Francisco Film Commission

Mr. Frank Gallagher stated that at the January 2005 meeting, the Board requested that staff draft an MOU between TIDA and the Film Commission to avoid the confusion and misunderstanding that characterized negotiations with Rent LLC. The Board has this draft MOU in front of it for review at this time. TIDA staff has not heard anything formally from the Executive Director of the Film Commission about this MOU.

Director Cheng stated after the Board makes their suggestions that this MOU be sent to the Film Commission President and the Film Commission Executive Director

Director Moyer asked if this was just a draft

Deputy Director Gallagher stated that the process is the Film Commission would approve the MOU first and then it would come back to the TIDA Board for approval.

There was no public comment on this item

13. Discussion of Draft Infrastructure Plan

Director Cheng stated that the TIDA Board was about to lose its quorum.

Mr. Jack Sylvan, Mayor's Office of Base Reuse and Development, stated that staff would prefer that the two upcoming discussion items be held off until the next meeting.

There was no public comment on these items

Director Blumenfeld motioned to continue Item 13 until the next meeting

Director Po-Rufino seconded the motion

Item 13 was unanimously continued until the next meeting

14. Discussion of Draft Sustainability Plan

There was no public comment on this item

Director Blumenfeld motioned to continue Item 14 until the next meeting

Director Po-Rufino seconded the motion

Item 14 was unanimously continued until the next meeting

15. Ongoing business by Directors

There was no ongoing business discussed by Directors

16. Adjourn

Director Moyer motioned for adjournment

Director Blumenfeld seconded the motion

The meeting adjourned at 4:04 PM

